

AIR

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Chief, Foreign Branch E
Chief of Station, Karlsruhe
Operational
ODEUM and Austria

FILE-298

1. This letter is meant to supplement our referenced cable and at the same time plunge deeply into the troubled waters that constitute the ODEUM problem vis-a-vis Austria and vice versa. To do so is very much like going over Niagara in a barrel; ahead lie whirlpools, eddies, rough waters and rapids and only a slim chance that a happy, two-footed landing on the shores of reason and understanding can be accomplished. To say the least, the AUSTRODEUM problem is a complex if not an almost impossible one, and this discussion makes no pretense at resolving all or even a good part of it. It is rather, a probing mission into the matter in order to acquire the feel of the problem and, at the same time, an attempt at catching a glimpse of the shape of things to come.

2. At the outset, it would seem pertinent to make certain basic assumptions as follows:

a. It is essential, to do any worth-while and sensible planning or even discussion as to what, if any, the future role of ODEUM should be in Austria, that we know as much as possible and available with regard to the future Austrian internal and external intelligence picture.

b. When and if an Austrian treaty comes, it can probably be presumed that Germany will still be occupied and for a long time thereafter, so that ODEUM and its agencies, if still in existence, will still be under some kind of biased control; and therefore Austria's official position (if she ever adopts one) vis-a-vis ODEUM will be assumed with the factor of US interest in or control over ODEUM in mind.

c. ODEUM should not be allowed to build, plan, or even desire to extend itself into Austria, whether as a little Austrian ODEUM or as a branch of the German ODEUM, with recognition from or penetration into the Austrian government in the least comparable to the recognition and relative position they

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EXEMPTIONS Section 3(b)

(2)(A) Privacy

(2)(B) Methods/Sources

(2)(G) Foreign Relations

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hope to achieve here in Germany. If so, it must be restricted to a low-level, purely operational favor-for-favor horse-trading basis.

2. We should not allow ODEUM to build up or acquire, even accidentally, at least in the present time and immediate future, any relationship with Austria greater or closer than that with Spain, Switzerland, Italy, etc.; in other words, be consistent with the stand we have taken regarding ODEUM's liaison with other Western nation intelligence services.

3. By way of developing assumption 2-1 above, it would appear logical to ask what we do know of the relative strength and weaknesses, the development and progress of the various intelligence people in Austria; the Austrian Police? Ministry of Interior? Herbert KRAUS? WINKLER? RONGE? HOETTL? LAHOUSEN? our Vienna Station? USFA (CIC - MIS)? French? British? Russians? Peoples Party? Socialist Party? Communist Party? and countless other groups and splinter groups, and individuals. How would these various individuals and groups react to whatever steps ODEUM or the FOB staff, because of ODEUM, might attempt to take?

4. It is felt that clarification, insofar as possible, of questions in para. 3 is absolutely essential if we are to avoid the danger of idle speculation in our planning. It seems inescapable that before a decision, or even the basis for recommendation of a decision, can be reached, we must explore all the angles; we must first know who is who, what is what, and where who and what stand vis-a-vis everybody else. This leads to the suggestion that ~~we~~ ~~be~~ empowered to undertake a far-reaching study to include discussions with the various US-controlled sources in Austria with a view to forming a complete over-all picture of the Austrian situation and personalities. Then and only then is it felt that we will be able to see and to say where ODEUM fits, or fails to fit, into the Austrian picture and in what manner, based upon the over-all AIS commitments and interests. If such a suggestion is acceptable, attached Annex A is offered as a model interrogatory to be followed in vetting, as it were, the suggested sources in Austria. Submitted with it is a list of names of the individuals proposed for interview. No claim is made to completeness as to the number of questions that could be asked.

5. On the presumption that the internal Austrian picture will eventually be clarified, whether in the manner suggested or not, it is probably safe to assume that the success of any effort out of Pullach through Austria will be dependent upon the degree of success that is achieved in establishing good working liaison with the future Austrian IS (Police and Army). The big question is who can best accomplish this - ODEUM? FOB? Vienna Station? USFA (before the end of occupation)? MALLNER? BOLSCHWING? Should it be American or German or Austrian, or perhaps a combination or syndicate that would go through a progression of phases?

6. To give the precise and most correct answer to this troublesome question is not easily done at this time. However, it would seem, by attempting to take an objective view, that if only by the process of elimination, the nod goes to AIS for controlling the future of present-day ODEUM operations in Austria. (Just what form the implementation of this should take will be discussed below.) The elimination process goes something like this:

(i) In view of AIS' favorable position with regard to Austria on a nation-to-nation basis (FR, SW, world bank, etc.) as against ODEUM's

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sub-terfuge position in this respect (Anschluss, expected Treaty restrictions, ODEUM's opposition to Pan-Germanism, German high-handedness in dealing with their less enlightened cousins, etc.) we (Americans) seem to be the long-shot bet. The Germans, if they dare, have only the old slogans, old scars, and old scars to offer as a basis for tight ties; and the sting of the injuries brought on by indulgence in such activities in the past should be too recent and vivid in the memories of both parties to be easily forgotten, especially by the Austrians (not at least for another five years!). True, the mutual German-Austrian opposition to Communism and Sovietism is a big factor, but we (Americans) are recognized as the strongest proponents in this clash. Besides, we have the money to back up our ideas, and we also control the supplies that will eventually go into the new Austrian Army (of which there is bound to be an intelligence branch).

(ii) As regards such individuals as MALLNER and/or BOLSCHWING becoming the future conduit through which the necessary cooperation with the Austrian IS will flow, it seems likely that Austrian officialdom's reaction to a new ODEUM would gravitate as well against Austrian citizens such as MALLNER or citizen-aspirants such as BOLSCHWING, especially as they are well known to the Austrian police as working with a German organization.

(iii) Result? Again AIS direct building of the AUSTROLEUM show (if it is wise to have any at all) seems indicated.

7. The idea of AIS control in Austria for the future of the present ODEUM effort there, however and by whomsoever worked out, is that AIS stands the strongest chance to weather the storm and live out the interval from now until the end of the occupation to the new peace-time Austria of tomorrow, effecting all the while the firmest tie (as opposed to a very weak tie, which is all we could permit, that ODEUM could make) with the new Austrian IS.

8. In establishing this tie, however, if it is to be some splinter from POB, certain cogent and existent factors must be borne in mind, viz. -

(i) Regarding the Anschluss question, which is bound to come up when it becomes known that there are ties, however slight, with a new GIS, it must be remembered that the socialists are still very strong in Austria... anti-Pan-Germanism for the most part... strong in police circles... will share in Army control... many police officials active in intelligence work today served in Nazi KZ... etc.

(ii) Our Vienna station, CIC, OSI, the British, French, and heaven knows who else, have all made liaison to and mended political and operational fences with various police sections, ministries, parties (e.g., Pamer, Peterburger, Rupertsberger, Kosmanoff, Feeder, Melnisch, Melacr, Graf, OeVP, ODEUM, OPOs, Army-to-be, etc.).

9. In view of these factors, can we afford to travel other than along this narrow lane, or should we (POB for ODEUM or in place thereof) compete with it? If so, should we tie in? Again, it must be said that before we answer these questions, we should have had answers to queries raised in paragraphs 2-a and 3.

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10. It would not seem amiss at this time in approaching the problem to pause momentarily and consider the basis for an AUSTROODEUM relationship. This can probably best be stated in terms of ODEUM's requirements in Austria today and in the foreseeable future. Chiefly they appear to be as follows:

a. Austria as the logical jumping off place to the Balkans was selected at the inception of this project as the home base for a major effort eastward. Consequently, consideration has to be given to the best and safest method of protecting the courier, communication and supply lines running through that benighted land.

b. To do so, according to ODEUM's way of thinking, some form of liaison must be established for the future with the new Austrian IS for the protection of Agent personnel en route to avoid arrest under the Austrian Espionage Act.

c. Tied in with the above at present is the current mission of political observation and reporting which ODEUM conducts and justifies on the ground of its being necessary to know what is coming in Austria internally (i.e., how the wind blows, trends, etc.) for the protection of their organization and personnel.

d. For the future, however, it can be presumed that with an official or even unofficial but nevertheless effective understanding (if not collaboration) between ODEUM and Austrian IS established, the necessity of political reporting and observation would be eliminated. It is hardly conceivable that Austria would consent to its continuance, and certainly any attempt at continuation on the part of ODEUM without official Austrian consent would be foolhardy and dangerous.

11. Since then the legitimate interest between ODEUM and Austria boils down simply to protection of the Balkan and Eastern operational lines that run through, and since during the continuation of the occupation, the fulfillment of their requirements is greatly facilitated by the presence and active support of us through USFA, we have principally to concern ourselves with their post-Treaty phase.

12. In doing so, as long as the operations into the East continue, we must logically want to see ODEUM's lines preserved but not (even at the risk of laboring the point) at the expense of a new Anschluss, no matter if only on the level of GIS--AustIS. This seems to leave open the following main possibilities for the preservation of these lines in the future:

a. Let ODEUM continue to control and utilize the lines clandestinely with no knowledge or cooperation on the part of the new AustIS. (Needless to say, this is fraught with many dangers and difficulties, compromises and risks.)

b. Let ODEUM continue to control and utilize the lines on the basis of a licensed, well-defined, controlled, purely operational liaison with the Austrian Interior and IS.

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c. Let FOB staff take over control of the lines (preferably now), policing them from the viewpoint of protection and cover with the eventual aim of a complete break from ODEUM control but leaving the door open for any servicing to ODEUM through the FOB staff that may seem suitable. In so doing, the FOB staff or branch would have to make its own arrangements as to liaison, cover, collaboration, etc., with the various elements in Austria, both in the present and for the future. Insofar as possible, proper documentation and cover to legalize operatives' presence in and movement about Austria in the future could be begun now under our control. If acceptable and feasible, this could include the assignment of a US Case Officer to move right in, take over, and wield the whip.

d. Another variation of this FOB take-over embodies the so-called "syndicate" idea. This envisages AIS (POE) take-over of ODEUM lines in Austria in the near future on the basis of establishing (perhaps easier said than done) a close relationship with the official Austrian setup and thereby serving as go-between for the German--Austrian Intelligence Services. Then later on, if practicable, AIS could drop to the background while bringing Austria and Germany to the fore. This solution, however, is rather a complicated one that runs the danger of becoming too enmeshed in jurisdictional lines.

13. In discussing the suggested plan in 12-b above and even with regard to 12-c, reference is made to the oft-mentioned suggestion that we reconstitute ODEUM's Austrian organization as a "little Austrian Odeum" in and of itself. This foresees a duplication for Austria alone of an organized group of former Austrian GIS personalities (emphasis on ex-Abwehr, non-implicated personnel) who are devoted to the Democratic process, believe in America, are opposed to Soviet Russia and Communism, and are willing to serve in an information collecting agency under AIS control or domination in activities against the Satellites and Russia.

14. Persons who advocate building the existent organization in Austria into such a "little ODEUM" argue that:

a. AIS owes it to the US Government, because of the considerable financial investment already involved, to build on the structure already in existence for future exploitation; and making it into a little ODEUM is the best way to do it.

b. From the practical point of view, there is despite the difficulties that MALLNER and Company have gotten into over the years considerable good structure, personnel, and operations which can be salvaged; and this manner represents the best way to do so.

c. It would be comprised of many elements which we would possibly desire to have under AIS control (Abwehr, SD, etc.) in Austria but not exactly in the manner of other operatives run directly by other stations (viz., Vienna, Salzburg).

d. Would serve to keep tabs on the old Abwehr gang and others - at the same time to our advantage - and also help to keep them away from the German "little Odeum".

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14. It would with luck serve to provide part of the structure for the German ODEUM IS.

15. It might even be possible to utilize such an Austrian ODEUM as a means of checking on the German ODEUM.

16. In contemplating such an affair as outlined in para. 14 above, many questions arise that should be answered before any attempt at implementation is effected. Would it include MALLNER? Or BOLSCHWING? Would it exclude them? Any others? Would it be controlled by AIS? Out of PCB? Vienna? Salzburg? Would it be expanded by recruitment of additional ex-Abwehr personnel? Others? When should it begin? etc., etc., etc. Would it transfer out of the Pullach show into the proposed effort such as: astute, capable and uncompromised Austrians as KLANTNER, etc.?

17. Those who argue against the scheme, however, claim that:

a. It would only afford needless competition for regular AIS operations in Austria.

b. There would probably be tremendous difficulties in control.

c. As a result, there would be frequent causes for embarrassment, compromises, etc., and probably consequent injury to other AIS--AustIS relationships.

d. In addition, b and c would result in the blowing of AIS interests and operations and the danger of penetration on the part of unfriendly intelligence services.

e. There would always be the danger of secret collaboration and liaison between such a show and the GIS (ODEUM included).

18. Finally, after all this speculation and frequently, it is feared, disjointed thinking regarding future possibilities, we come to the almost immediate problem of the disposition of Messrs. MALLNER, BOLSCHWING, and AUWER. What is done in each case depends of course to a great extent on our final disposition of the entire effort in Austria, which in turn hinges on the bigger, complicated Austrian picture. Right now, however, it is probably sensible to state that MALLNER and BOLSCHWING, no matter what their future with AIS, are sufficiently opposed to each other and personally involved with factors making their inter-relationship incompatible, so that continuation together in the same show would be very unhealthy and undesirable. Sound operational control would seem to dictate the dropping of one, if not both, of them from this Project. However, since MALLNER cannot be cut loose at present because of many other problems concerned with the organization in Austria, it seems to resolve itself down to the elimination of BOLSCHWING from this particular group.

19. In carrying out the suggestion just mentioned, cognizance should be given to BOLSCHWING's knowledge of the organization, his political reporting, his known contacts and his potentialities for further good work as per, for

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example, his proposition recently made regarding the establishment of coverage in the Balkans and outlined in 431-4-890.

19. Since there is not too much love lost between BOLSCHWING and ODEUM and since he himself desires a direct American connection, could he not be turned over to our Vienna station or perhaps better to ODI, USPA, especially in view of Major WILKRO's interest in his political reporting? In that way we could probably solve a ticklish situation all the way around; serve General Keyes; cut ODEUM out of the Austrian political observing business; and have BOLSCHWING in a position where his potentialities could be further observed and, if desired, exploited for the future benefit of AIS, either Vienna or POB.

20. In doing so and relying on BOLSCHWING's keen desire to establish the direct US connection, we could probably bargain him out of the Papinac deal if we want it, using the same grounds for transferring that contact to a direct US line in Rome, which we would tell him is the basis for his own transfer to a direct line in Austria, i.e., making folks take their business to the local US Government store. In turn, if we should want to take over the Papinac business, there is no reason why, since this show runs from Austria-to-Italy-to-Rumania, it could not run from Germany (#08)-to-Italy-to-Rumania. For that matter, it could if desirable be taken over by our Rome Station and run from Italy direct to Rumania.

21. In any event, it would seem that a basis does exist for splitting BOLSCHWING away from ODEUM and at the same time making the action work to AIS advantage. For example, he might conceivably be able to break into the future official Austrian IS, at the same time remaining a collaborator of ours. Although it is true that he would probably be disqualified because of present connections, this would not necessarily be so; and if he began liaison now with AustIS, he might be well entrenched by the time it becomes strong and really on its feet.

22. The suggestions regarding BOLSCHWING should not necessarily be taken as an indication that we regard him as a top-flight operative. As a matter of fact he may be, but if this is the case, he has apparently managed to keep a bushel handy for concealment purposes. However, always giving the devil his due, he may indeed have great potentialities which could be nursed along, particularly in the political field. His proposal for the establishment of Balkan coverage contains nothing really startling, except perhaps through the voluminous claim to contact with all of these named. (At least fifteen of the persons claimed by BOLSCHWING as sources were in contact with WOETTEL when the latter worked for CIO USPA. All in all, they represent almost a complete list of the leading intelligence operatives now in contact with various IS agencies and personalities in Austria. Still, the fact of his high-caliber performance in the political reporting field is in itself probably no good a proof as any that he does have rich contacts--perhaps even with all those whom he has named. In addition,

J, the case officer handling KALLNER's operations, is more or less convinced of KALLNER's fundamental honesty, integrity, and diligence; and

(See Annex 2.)

23. As for KALLNER, it would probably be dangerous to drop him, if that should be the decision, until the final long-range plan has been decided upon with regard to the ODEUM wing in Austria and only after that plan has been begun, including whatever liaison is to be made with the Austrian IS. In the meantime, while he stays with the project KALLNER should certainly be whipped into line, made to become more security conscious, less conspicuous, and generally kept under wraps. He could, if desirable, be recalled to Germany and put on the ODEUM Austrian desk, if we allow them to have an Austrian desk. Or, he could be allowed to slip over to whatever independent, direct AIS contact he claims to have.

24. Regarding AMER, it would probably be worth while to wait for the magic month of February to see just what the significance of that particular time for his possible defection from ODEUM may be. It could perhaps be tied in generally with the scheduled, though not expected, signing by the Four Powers of the Austrian Peace Treaty. If it should occur, and General Hickey, Chief of Staff USFA, constantly predicts it, the evacuation of troops will follow in six to nine months.

25. Your authorization, just received, blessing frequent and direct conversations between [] - [] - Milano seems to be just what the doctor ordered (do not mean Utility); and in view of the possibility, however remote, of an end to the occupation of Austria, it is certainly wise. If the Four Powers should agree in March, it is feared that in relationship to the problems which would have to be solved, TIME in its flight over that little Graustarkian land to the south and east of Pullach would indeed become jet-propelled. Hence, the sooner the triumvirate, [] - Milano - [] get their heads together, the better it will be.

26. In closing, it can be mentioned that our Austrian folder, which has been building up over the last six months, is now literally bulging with an accumulation of reports, incidents, rumors, hints, and other data which we plan to put together shortly and send to you for your enlightenment.

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