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17 December 1964

SUBJECT: 15 December 1964 Meeting with J. RAUS

1. On 14 December 1964 the undersigned was advised by SR/O/AC that J. RAUS had phoned ~~in~~ on the SR/O/AC operational sterile phone, requesting that the undersigned contact him at his place of work. When the undersigned contacted RAUS several minutes later, RAUS reported that his wife had phoned to report that a U.S. Marshall had called at the RAUS residence in Hyattsville to deliver a "summons" to RAUS concerning a suit which had been filed against him by Erik HEINE of Canada. As RAUS himself was not acquainted with the details, the undersigned declined to meet with him until the following day and suggested that RAUS fully acquaint himself with all details and make copies of the summons for the undersigned.

2. The foregoing, as well as the background of the RAUS-HEINE case, was reported to Chief, SR/CI/I and to Deputy Chief, SR/CI immediately thereafter and Deputy Chief, SR/CI authorized the undersigned to meet with RAUS.

3. The undersigned met with J. RAUS at the latter's Hyattsville residence on 15 December 1964 from about 1450 to 1850 hours. The following information is pertinent to this meeting: 1740 1850

~~the undersigned~~ RAUS turned over the attached Maryland District Court "Summons" to ~~undersigned~~ together with RAUS' report on the "Rudolf SIRGE Affair".

b. Significantly, the "Summons" was filed on 6 November 1964 although the statute of limitations would have expired on 9 November 1964. Further, though the "Summons" was filed on 6 November 1964, it was not delivered to RAUS by the U.S. Marshall until 14 December 1964.

c. According to RAUS, the contents of the complaint are not entirely accurate. In paragraph 5, RAUS is being accused of having stated that "...Erik HEINE is a Communist...Erik HEINE is a KGB agent...". According to RAUS, he never made the first statement to the effect that HEINE is a Communist; further, he states that, concerning the second statement, he stated only that "...I have been advised by responsible U.S. Government security officials that HEINE is suspected of being a Soviet agent..." In paragraphs 6 and 7 RAUS is being accused of having repeated the statements concerning HEINE in the presence of August KUKLANE. RAUS denies having done so. According to RAUS, KUKLANE, who is a Birchite, is grinding his ax against RAUS because of other personal disagreements. RAUS states that he has witnesses to prove that he made no such statements to KUKLANE.

d. RAUS indicated that he does not have \$1,000.00, let alone \$10,000.00 or the additional \$100,000.00 which HEINE wishes to recover from RAUS for being slandered.

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e. RAUS repeated his usual spiel that since the Agency was responsible for this incident that he had no recourse but to turn to the Agency for assistance.

f. The undersigned instructed RAUS to take no action until the undersigned had checked matters out with the Agency legal personnel. RAUS was told that the undersigned would contact RAUS and advise him further what action, if any, could or should be undertaken. RAUS agreed to abide by these instructions.

4. The following generally summarizes the background of the HEINE case:

a. Erik HEINE appeared in the American Embassy in Bonn in ca November 1956 to report the following about his background:

1) He had just been repatriated to West Germany by the Soviets from a Soviet concentration camp after the KGB had apparently mistaken him, an Estonian for a German POW.

2) He indicated that he had organized anti-Soviet underground units, consisting of Great Russians, in two concentration camps in the USSR. He further indicated that he was in contact with the Estonian partisan underground in Soviet Estonia. He attempted to interest the Americans and AIS ~~and~~ rendering him assistance, and into using his services, to furnish arms and weapons to the underground elements in the concentration camp and to furnish logistical and other support to the Estonian underground. HEINE came armed with means of communication and channels through which he proposed to transmit his material to the USSR. Further, HEINE volunteered his services to AIS to return to Soviet Estonia in order to direct the Estonian underground.

3) HEINE's story was considered by all concerned at the time to be suspect and HEINE was considered to be a Soviet penetration agent who had been dispatched to the West, under the guise of a repatriate, to entice AIS into the classic provocation operation leading to a Soviet controlled network inside the USSR. The American Embassy in Bonn [] refused to have anything further to do with HEINE and FOB displayed only mild interest by dispatching a Baltic principal agent who made a mild attempt at debriefing HEINE.

4) The story of HEINE's background was briefly as follows: When the Soviets arrived in Estonia in 1940, HEINE was an ardent nationalist who attracted attention to himself by tearing down Soviet flags, storming Soviet buildings, et cetera. The NKVD arrested his parents and held them hostage until HEINE surrendered himself to the NKVD sometime later. HEINE was then imprisoned by the NKVD in Estonia until sometime in 1941 when the NKVD packed HEINE into a train and repatriated him to Germany (some German extraction was found in his background and his parents had in the meantime been authorized by the Soviets to emigrate to Germany). In Germany he promptly volunteered for and joined the Estonian military elements in the German army. Ultimately

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HEINE returned to Estonia as an officer of the German army where he served in the SD. In 1944 HEINE was reportedly injured in combat and taken PW by the Soviet Army. Though dressed in a German SD uniform, HEINE denied that he was a German and confessed his Estonian extraction. As a result, he was arrested by the MGB and held in MGB prisons in Tallinn from 1944 through 1946. In 1946 he reportedly escaped from the MGB prison and went into the Estonian underground. He continued to function withing the Estonian underground from 1946 until 1950. Among his other exploits as an Estonian partisan, he reportedly succeeded in passing himself off as an MGB officer, in travelling to Siberia, and in liberating some 7 Estonians from a Soviet concentration camp; also, he reportedly succeeded in penetrating the NKVD establishment in Estonia. Upon his arrest in 1950, at the time that most of the Estonian underground was rolled up, HEINE was sentenced to death; however, this was later commuted and he received a 25 year sentence. As soon as he was placed in Soviet concentration camps, he began organizing the anti-Soviet underground units and reportedly made several escape attempts. As a result, he was under constant MGB interrogation and was transferred deeper into Siberia. This permitted him to organize the anti-Soviet underground units in more than one Siberian concentration camp. For approximately 8 months prior to his "repatriation", he was under constant KGB interrogation; however, these interrogations abruptly ceased and the KGB "mistakenly" took him for a German PW and repatriated him to West Germany.

5) HEINE was then processed by the German authorities, believed at Valka. Shortly thereafter, probably in December 1956, HEINE emigrated to Canada where he married his childhood sweetheart who sponsored him to Canada from Germany. HEINE continued to reside quietly in Canada, in the large Estonian colony in Toronto, until 1962 when, with considerable fanfare, he cranked out a movie about his underground activities. He made mild attempts, according to SR Baltic sources, in 1957 to emigrate to the USA but found no one in the USA who was willing to sponsor him.

b. In early 1963 HEINE arrived in the USA with his film, allegedly under the sponsorship of the Estonian Veterans Association (of which RAUS is the president) to tour the USA in order to show his movie. HEINE had indicated in advance that he wished to emigrate to the USA in order to establish a U.S. residence.

c. On 15 May 1963 CSCI-3/776,159 was sent to the FBI summarizing HEINE's background, transmitting the Agency's suspicions of HEINE, and informing the FBI of HEINE's plans and itinerary in the USA. Subsequent CSCI's were sent to the FBI to keep the Bureau au courant of HEINE's activities and contacts in the USA.

d. Inasmuch as HEINE used the occasion of each lecture in the US to establish close contacts with responsible Estonian leaders in the USA, SR/Baltic Branch decided to brief a number of responsible Estonian emigre leaders concerning HEINE's background in order to alert them not to be taken in and to beware of HEINE and his motives. Among the various individuals

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briefed was Juri RAUS, whose Veterans organization was being exploited by HEINE and who was most directly affected as HEINE tried particularly to establish close contacts with the leaders of the rather militant and active Estonian Veterans organizations in the USA. RAUS, as were the other Estonian leaders, was generally acquainted with the full details of HEINE's background as HEINE, during his various lectures in the USA, generally gauged his background narrations to the tone and tenor of his audiences. Interestingly, in relating details publicly about himself, HEINE never once repeated the same story about himself so that even the most naive and ultra-patriotic Estonians found HEINE's conduct and behaviour to be suspect. HEINE generally used the rah-rah approach and tried to appeal to his audience to engage in more violent and drastic activities against the Soviets. He likewise tried to persuade various Estonian leaders in the USA to engage in a black balloon-dispatched CA operation into Estonia from Sweden (which was being directed by Arthur HAMAN from Sweden, an identified KGB agent who recently repatriated to the USSR and who has pitched at least one American for the KGB in Moscow).

e. RAUS, a young vigorous Estonian who is a Reserve captain in the U.S. Army MI and who is an "~~active~~ agent" of the Agency's AEDEPOT program, concluded that HEINE was a Soviet dispatched provocateur, as did the other Estonian leaders who were briefed concerning the specifics of HEINE's background. Chafing at the bit as to what action could be undertaken to neutralize HEINE, RAUS ultimately saw fit to call together the members of his organization from throughout the USA whom, using the Agency provided material, he likewise acquainted with the details of HEINE's past. This occurred on 9 November 1963 in New York City and was an action undertaken by him which came to the Agency's ~~attention only after it occurred~~. RAUS, in relating the details, indicated that he had been briefed by U.S. Government security elements. HEINE's supporters in the USA, several of whom were members of the Veteran's organization, immediately brought this to the attention of HEINE in Canada.

f. On 31 January 1964 RAUS received a letter from HEINE's lawyer in Canada. RAUS was informed that, unless he apologized and had a copy of the apology printed in the five official Estonian emigre newspapers, HEINE would press a suit for libel and slander against RAUS (and Vello Pedrang of New York City). This matter was coordinated with the Agency General Counsel at this time (RAUS would not have apologized even if we had so wished).

g. HEINE wrote to the director of the FBI sometime in early 1964, stating that the FBI had reportedly informed RAUS to the effect that HEINE was a suspect KGB agent. J.E. Hoover wrote back to indicate that the FBI neither issues clearances on anyone nor furnishes information about anybody to private individuals. This added fuel to the fire as HEINE has been making use of this FBI letter as proof of the fact that U.S. Government security agencies, to wit the FBI, has nothing derogatory against him. Moreover, HEINE continued to make repeated trips to the USA to "prove" that the borders were not closed to him, therefore again proving that US security agencies had nothing against him.

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5. The matter seemed then to have died. HEINE did not press the suit after the 15 March 1964 deadline had passed. However, he did attempt to make various overtures to get RAUS to apologize, this primarily because HEINE was being egged on by his supporters in the USA. This took the form of passing on to RAUS, through an associate of RAUS, HEINE's disinclination to sue RAUS if only RAUS saw fit to apologize. Also, in ca March 1964 HEINE did visit a lawyer in New York City and in ca April 1964 another in Baltimore in order to consult with attorneys there to take the case; the attorneys reportedly refused to have anything to do with the matter.

5. The handling of this HEINE-RAUS matter has been complicated by at least one other item. When SR/Baltic desk went out of existence in ca September 1963, all Baltic case officers were instructed to disengage themselves from all or most of their agent asset contacts. The undersigned began phasing out his contacts with RAUS in accordance with these instructions. RAUS, who was used as a non-paid agent asset, felt that the Agency had no right to drop him, particularly since the pending libel suit was hanging over his head. This came to a head in late December 1963 when RAUS established contact with the security officer of the Agency [] who reported this to [] Chief of security, who reported this to Chief, SR, [] The undersigned was then directed to contact RAUS in order to straighten matters out and to pacify RAUS. The undersigned accomplished this during a 30 December 1963 meeting. The undersigned then continued to meet with RAUS, with the authorization and knowledge of Chief, SR/ODG, through 1964. The RAUS file reflects that during 1964 the undersigned met with RAUS on 22 January, 27 January, 4 February, 8 March, 14 March, 24 March, 2 April, 14 April, and on 4 June 1964. RAUS also continued to phone in periodically. The reason for the meetings and the phone calls was to keep abreast of developments concerning HEINE and, probably more important, to keep RAUS quiet and within channels.

6. Traces on HEINE's lawyer, Ernest C. WASKAUSKAS, have been requested. However, an Agency staff employee, who has met him and who knows of his activities through mutual acquaintances, has indicated that WASKAUSKAS has reportedly been in contact with the Soviet Embassy in Washington, D.C. (Further details will be forthcoming through [] Office of Security.)

7. On 16 December 1964 the undersigned discussed the HEINE case with Deputy Chief, SR/CI and, with her approval, with the office of the General Counsel. [] was generally acquainted with the background of the HEINE case. The following is pertinent:

a. [] indicated that an answer to the "Summons" has to be filed; otherwise, RAUS will be admitting to the veracity of the accusations against him. The Office of the General Counsel can provide the name of a cleared attorney, who would be briefed by the General Counsel, to file the answer for RAUS. The cost of this will be approximately \$200.00 - \$300.00.

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b. Once the answer is filed (the answer can be nothing more than that the contents of the "Summons" are false) within the specified 20 days. RAUS will have gained a reprieve. The burden will then again be on HEINE, or on his attorney, to request a date of the court to bring suit against RAUS. Attorney costs, if the case came to court, might be around \$1,000.00. If RAUS were to lose, \$110,000.00 is involved plus court costs which could be very heavy because a portion of the court might have to go to Canada to or to take depositions.

c. However, the General Counsel feels that the case seems weak and that the case might be dismissed on one of a dozen procedural grounds (e.g. disqualifying the lawyer in the USA if there is something derogatory about him, proving the falsity of the information contained in the "Summons", proving that RAUS made his statements to a "family type gathering" in protection of the security of the family, etc).

d. [] indicated his willingness to go ahead with the case, providing SR Division indicated that it wished done. He is willing to accept SR Division's verbal assurance that the Office of General Counsel is to render assistance.

e. In any case, RAUS is obliged to file an answer to the "Summons" within the specified 20 days. This expires on 2 January. The Christmas and New Year holidays leave relatively little time between now and then.

8. Finally, the entire HEINE case is closely paralleled to the Arthur J. HAMAN case. It will be recalled that HAMAN recently "defected" to the USSR after the emigres learned the details concerning his background and began suspecting him of being a KGB agent, which suspicions became known after the president of the Estonian National Council in the USA made known these details to the Estonian public (such as RAUS did when he revealed the information to the Estonian Veterans Association). As HAMAN panicked and "defected", HEINE, who is under the very same suspicions as was HAMAN, cannot afford to panic into redefecting. While he has not been anxious to press suit, his supporters in the USA, as HAMAN's supporters had done in Sweden, have been egging him on and on and on.

9. The fact that HEINE has now also resigned from the Estonian National Council in Canada is also significant. He did this on the eve of a showdown during which he would have been dismissed because of the schisms that he has created in the Estonian emigration, in the emigre councils, and because of suspicions against him. The pretext for the resignation, which saves him face, was an anonymous ultra-nationalistic bulletin which was mailed to 3000 Estonians in Canada and the USA in defense of which HEINE rose after it was condemned by the Estonian National Council of Canada. Significantly, the bulletin was mailed shortly after the departure from Canada of a Soviet cultural delegation, one member of which was a Soviet Estonian who did establish contacts with various Estonian emigres in Canada. This has created quite a ruckus in Canada and HEINE is also under fire in this respect.

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