

# SECURITY INFORMATION

VIA: Air  
(SPECIFY AIR OR SEA POUCH)

DI: CH NO. MGLA-12850

**SECRET**  
CLASSIFICATION

TO : Chief, EE

DATE: 21 Aug 1952

FROM : Chief of Station, Frankfurt *4 Aug 52*

SUBJECT: GENERAL— Operational

SPECIFIC - Derogatory Information on SCHAEFER and BV S

1. Attached for your information are copies of a derogatory report from an unknown source on SCHAEFER, chief of BV S and currently a UJ DROSHKY candidate. The report (Attachment I) was a part of the intercepted material attached to MGLA-11788 which was probably sent by Willi HOETTL and was definitely intended for Gerhard SCHACHT.

2. ZIPPER was informed of the substance of the statements contained in Attachment I and asked for comments. Also attached (Attachment II) is ZIPPER's memo refuting the SCHACHT report.

3. ZIPPER's refutation is certainly not decisive. However, their point that both CIC and ZIPPER have thoroughly investigated previous warnings on WESSNY (without significant derogatory result) is well taken, and there is undoubtedly at least some sound basis for discounting Attachment I in view of the known hostile attitude between ZIPPER and HOETTL and the probably accurately described disgruntled feeling of MAST, thought to be the actual author of Attachment I. The KP membership and activities of Dr. Kurt KNOLL, junior, are not denied or even commented upon by ZIPPER, but he is described as only an acquaintance of SCHAEFER through Dr. Kurt KNOLL, senior. It is difficult to evaluate the ZIPPER statement that KNOLL, junior, can have no insight concerning the actual activities and employer of SCHAEFER.

*OF CZ AREK*

4. Considering the relative freedom of choice which we felt it proper to give ZIPPER in the selection of actual UJ DROSHKY candidates (while naturally, retaining a veto, we insisted only upon ZIPPER compliance with what we viewed as the basic principles behind the selections), we do not believe that the outstanding derogatory reports on SCHAEFER can be evaluated as sufficiently significant or accurate to constitute a bar to his participation in UJ DROSHKY, particularly since ZIPPER is still willing to vouch for him.

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ATTACHMENT I

The following is a report about KP influence on the Organization von GEHLEN; it shows clearly the lines of contact to the Org., and raised the question whether the directors of the Org. are aware of the true background of all the facts:

1. During an investigation of the 1951/52 elections in the Linzer Eisenhandels-gesellschaft, which resulted in the victory of several KP industrial councils, it was discovered that among this group there is a certain Dr. Kurt KNOLL, born 14 June 1919 in Vienna, now residing in Linz, Glimpfingerstr. 63, a member of the KP.

Further investigation disclosed that Dr. KNOLL is the son of Prof. Kurt KNOLL, formerly Rektor of the Hochschule für Welthandel in Vienna, now living in Mondsee, and in contact with the Org. von GEHLEN.

NOTE: Prof. KNOLL was SS-Standartenführer in Vienna prior to 1945 and a most influential member of that organization. SD decisions on Austrian personalities in the business, cultural, educational and political fields were based largely on his views and judgment. An indication of his standing in the SD was shown by the fact that soon after 1938 he was promoted from Dozent to Rektor of the Hochschule. At present he is an influential member of the Sudeten German group not only in Austria but also in Germany and enjoys the confidence of Dr. Ludwig-Auen, recently in Bonn.

In 1948 Prof. KNOLL was brought into Dr. OFCZAREK's group in the Org. GEHLEN by Dr. WESSELY. At first he was employed as expert on personnel matters, later on the condensation of reports on economics and Austrian internal affairs and policy. In 1949 Dr. OFCZAREK gave KNOLL quarters in his rented villa in Mondsee, where KNOLL still resides.

2. Activity of Dr. Kurt KNOLL, Jr.

There are very close ties between Dr. KNOLL, Sr. and Dr. KNOLL, Jr. and Dr. KNOLL, Jr. is well informed concerning his father's close connections with the American-German IS of Gen. GEHLEN and expresses himself knowledgeably in intimate circles over the Org.'s awareness of happenings within the KPOF. In other circles Dr. KNOLL, Jr. is at pains to represent the Government as overly concerned over the danger of KPOF activity and to belittle its actions. In this connection, it is known that Professor K. has requested his son to keep him informed on KPOF activities and that the latter maintains that reports on the existence of KP cells, terror groups and East-West trade are grossly exaggerated.

NOTE: It is known that the ties between KNOLL, Sr. and Jr. are very intimate, and that all intelligence matters are discussed by them. Whether it is carelessness on the part of Dr. KNOLL, Jr.

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or whether it can be attributed to his well-known desire to appear important is not clear. Nor is it known whether Dr. OFCZAREK is aware of the facts concerning the two KNOLL's.

Since the summer of 1949, Dr. OFCZAREK's Org. has been engaged solely in CE work. It is therefore possible that in the Org.'s effort to penetrate the KP there is double agent activity, but as the above report indicates, the Org. is being given purely deception material.

In the course of the investigation on Dr. KNOLL, Jr. it was determined that the KP is remarkably well informed about the activity of anti-Soviet agents and their reports. It is assumed that one of the KP's sources is Dr. KNOLL, Jr. It is not known how well informed Prof. KNOLL is about his son's work.

### 3. Activity of Dr. Kurt WESSELY.

The investigation also disclosed connections between Dr. KNOLL, Jr. and Dr. Kurt WESSELY, who is suspected by the police and whose alleged ties to the MVD have been the subject of confidential reports since 1948. Reports of this nature are still being received. His wife is also regarded with suspicion. She lived in Hungary until 1948, and could be in contact with the Hungarian IS, although no proof of such contact exists.

NOTE: Dr. WESSELY joined Dr. OFCZAREK's section of the Org. in spring of 1948. His duties were the evaluation of the Hungarian and Yugoslav press, the condensation of economic reports, and the reporting on Austrian internal affairs. As early as 1948 his reliability was questioned, and as a result he was officially dismissed from the Org. in 1949. However, through Dr. OFCZAREK he was retained as a secret co-worker of Prof. KNOLL.

Dr. WESSELY was approached several times by the MVD, but has declared officially that he refused each offer. He did admit, however, that officials of the MVD pointed out to him that his conduct had a direct bearing on the treatment accorded his wife, who was residing in Hungary at that time. After his wife returned from Hungary in the summer of 1948, Dr. W.'s attitude toward Hungary and Communism was remarkably neutral and "objective". This may be attributed to Dr. W.'s clear subservience to his wife. She is a chauvinistic Hungarian and even today is very pro-Hungarian. Further, her parents and other close relatives reside in Budapest and as late as 1949 Fran W. had telephone conversations with Hungary.

Dr. WESSELY is insincere, garrulous and egotistical. He will not defend himself when attacked, but is vindictive when rebuffed. He is very intellectual and a man of great learning. He is a nationalist politically, due to his family background and upbringing. To all other political questions, he takes a characteristically cautious, neutral position.

Dr. W.'s financial condition appears good, although his income would seem to be between 2500 S. - 3000 S., he must support his wife and two children, and lives in a newly built, high-rental house. He does have a private income, inasmuch as he inherited 160,000 S. from his father.

Dr. W. suffered war injuries - lower leg amputation. This injury has produced an inferiority complex, which is increased by his very lively and jolly wife. Dr. W. has always been supported by Dr. OFCZAREK.

NOTE: In this regard, Dr. OFCZAREK is reported to have stated that if Dr. W actually does have ties to the Soviets, that this is a "good guarantee".

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ATTACHMENT II

WESSELY Dr. Kurt, Linz, born 20 March 1906, journalist, representative of "Berichte und Informationen" and "Salzburger Nachrichten", married to Suzanne, nee SCHMIDT, native of Hungary. From early 1948 to 1 Dec. 1950, a member of the Organization.

KNOLL Dr. Kurt, senior. Formerly Rektor of Hochschule für Welthandel in Vienna, 1945-47 interned, resides Mondsee. Born 29 Oct. 1889, married to Viktoria, nee WILD. Since July 1949, press evaluator for Org.

KNOLL Dr. Kurt, jun., born 14 June 1919, resides in Linz; during war in German Foreign Office, since 1950 employee of VOEST-Werke and Linzer Eisenhandels-OmbH in Linz.

HOTTL Dr. Willi, resides Bad Altaussee, formerly officer in RSHA VI/E; 1948/49 employed by CIC, owner of "Nibelungen-Verlag" in Linz.

TONGEL Dr. Emil, born 27 Oct 1902 in Leitmeritz, resides in Bad Altaussee and Linz; official of Propaganda Ministry in Vienna, during the war with a PK-Kompanie, 1949/51 employee of "Nibelungen-Verlag" in Linz; with CIC and other intelligence services, 1948/49 worked with Dr. WESSELY for Baron MAST. Left because of "double" activity.

MAST Heinrich, Baron, born 26 Dec. 1897 in Linz; author; from 1947 until March 1952 employed by the Organization's BV S. Dropped because of suspected fabrication.

1. The allegations that Dr. WESSELY works for an Eastern IS date back to 1949. They originated with the so-called Ausseer-SS-Kreis, among whom Dr. HOTTL and Dr. TONGEL are prominent. The reports are based on the fact that during the war Dr. W. married a Hungarian citizen, who was not able to come to Austria permanently until 1949.

The allegations against Dr. W. caused CIC and the Org. to undertake investigations, which in no wise confirmed the accuracy of the reports but, on the contrary, seemed to indicate personal animosity towards Dr. W. as the real reason for the reports. Dr. W. was an illegal Nationalsozialist and in 1938 was arrested by the Austrian police in connection with an action against the then illegal NS-Gauleiter of Vienna, NEUBACHER. W. is said to have

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told the police all he knew of NS-activity in Vienna.

Dr. HOTTL and Dr. TONGEL saw to it that the allegations against W. reached the AIS and the Org. through many channels, so that they appeared to be confirmed by various sources.

2. Prof. KNOLL has known Dr. W. since 1938. While looking for co-workers well versed in economics, Baron MAST asked Dr. W. to contact Prof. KNOLL in the fall of 1948. MAST himself met with Dr. W. and Prof. K. 8 April 1949. Since Dr. OFCZAREK knew Prof. K. personally, he recruited him into the Organization in 1949.

Prof. KNOLL is active only as a press evaluator. He is directed solely by Dr. OFCZAREK. The only contacts between Prof. K. and Dr. W. have been a few unavoidable, chance meetings. Neither Dr. W. nor Baron MAST had an insight into Prof. KNOLL's work.

Prof. KNOLL lives with his wife in a small villa, which Dr. OFCZAREK rented in 1948 for himself and his office, and in which he lived until 1949. Dr. OFCZAREK is still the recognized tenant. Since Prof. K. moved into the house, Dr. OFCZAREK has lived in Salzburg. There can therefore be no question of their "living together". Occasionally during the summer months there have been weekend visits.

3. Dr. OFCZAREK has no professional or business relations with Dr. KNOLL, Jr. They met originally in the home of Dr. K. Sr. Dr. K., Jr. has never worked for the Org., nor is there any intention to recruit him.

4. Dr. K., Jr. knows that his father works for Dr. O. in the press evaluation section. He knows only Dr. O. from the Org., and may surmise that Dr. O. is in contact with an American agency. The Organization and its missions are, however, in no way known to Dr. K., Jr., neither does his father possess any knowledge in this regard.

5. In 1950, via Prof. KNOLL, Dr. OFCZAREK received a warning from Dr. HOTTL (who is acquainted with Prof. KNOLL for a long time and who knows of KNOLL's connections with OFCZAREK) that Dr. WESSLY had unclear relations with the East, and through his wife might possibly have become a Hungarian agent. Dr. HOTTL emphatically advised Dr. O. not to disregard this warning, or he might regret it some day. This day appears to have arrived.

6. HOTTL's allegations follow the recognized pattern of character assassination. The motive may be the fact that despite

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all his efforts, Dr. H. has been unable to make a fruitful IS connection and resents the efficacy of Dr. O's group in what HOTTL considers his own domain. In accordance with his ambition, he would like to be the political expert for Austria in a national IS.

7. Whether MAST, who was dropped in March 1952 because of suspected fabrication material, was co-author of the report cannot be determined. There is a possibility that this is the case. MAST is now employed in Dr. HOTTL's "Nibelungen-Verlag" in Linz and works with Dr. HOTTL intelligence-wise. Because of his talent for intrigue, it is quite possible that he may be seeking an opportunity for revenge for having been dismissed.