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ROUTING AND RECORD SHEET 8 OCT 51

INSTRUCTIONS: Officer designations should be used in the "TO" column. Under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "TO" column. Each officer should initial (check mark insufficient) before further routing. This Routing and Record Sheet should be returned to Registry.

FROM:  IR/AN	NO. MASA 854
	DATE

TO	ROOM NO.	DATE		OFFICER'S INITIALS	COMMENTS
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AUG 6 1962  
DOC. MICRO. SER.

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CENTRAL INTELLIGENCE AGENCY  
SOURCE METHOD EXEMPTION 3B2E  
NAZI WAR CRIMES DISCLOSURE ACT  
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VIA: \_\_\_\_\_  
SPECIFY AIR OR SEA POUCH

MICROFILMED NO  
AUG 6 1962  
CLASSIFICATION DOC. MICRO. SER.

MASA-857

58

TO : Chief, Foreign Division M DATE: 8 October 1951  
Attention: [ ]

FROM : Chief of Station, Vienna

SUBJECT: GENERAL - Operational  
SPECIFIC - Comments on [ ] Proposals

Reference: MASW-199 and WFPW-6212

1. We appreciate the outstanding staff work that went into the preparation of references, the excellent handling of the proposals, and the judicious braking action in Paris. We quite agree that a meeting of our representatives with General ZAKO is unnecessary now and quite probably in the future. In fact, we think it should be avoided at all costs unless examination of MHBK operations with French cooperation should turn up some as yet unenvisioned but fascinating and productive segment. Even then it is doubtful that direct contact would be necessary. In the first place, we imagine we are all agreed that in the improbable event that we should discover any portion of the MHBK worth salvaging, we should make every attempt to isolate it from ZAKO and establish exclusive control for ourselves, or for ourselves and the French. Secondly, any meeting between General ZAKO and U.S. representatives would be so exploited politically by the former, either openly or over the MHBK grapevine, that he would emerge as a second Saint Istvan shining with the light of U.S. approval (MASA-820 reports one ZAKO attempt to climb on the U.S. bandwagon.).

2. We agree fully that our position in discussing the MHBK with the French should be one of extreme scepticism based on the points listed in paragraph 8 of WFPW-6212. We should offer access to our voluminous ZAKO files with the stipulation, of course, that the French reciprocate with their information and join us in an honest effort to make a thorough and detailed study of MHBK operations. The French would have to elicit from the MHBK specific information on the following main points before a true evaluation could be made:

a. Personnel

Complete roster of IS men in Germany and Austria (staff members, agents, interrogators, contact men, front men for new outlets, etc.). This list should

INDEX

CLASSIFICATION IR COPY

200 6-11-1951

~~SECRET~~  
-2-

WASA-857

include those now active and those dropped or resigned, together with reasons for separation, manner of disposal, and present activities.

b. Operations

- 1) Brief history of past operations and degree of success, sufficiently well documented to establish validity
- 2) List of present assets, if any
- 3) Analysis of operational methods including details of:
  - a) Recruitment (contact, approach, assessment)
  - b) Training and assignment of couriers
  - c) Agent contacts inside Hungary
  - d) Communications (couriers, S/W including type and source, W/T)
  - e) Payments (including direct and indirect, i.e.: authorization to sell reports elsewhere, black market privileges, etc.).

c. Security and Control

- 1) Agent vetting
- 2) Operational compartmentalization, including specific safeguards against penetration by enemy or friendly intelligence services
- 3) Letter boxes, safe houses, etc.
- 4) Controls over individual agents
- 5) General operational control, including controls over outlets and central personality files

d. Outlets

- 1) List all customers of MBEK reports, with cutouts and front organizations (Hungaria, etc.)
- 2) List all connections with other groups who pass on or exchange reports with the MBEK (SRETER, DECLEVA, etc.)
- 3) Financial arrangements with both groups above.

SECRET  
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3. If our joint examination of the MHBK covers all the details listed above, we are confident that ZAKO will be exposed and effectively eliminated from serious consideration as a source of clandestine intelligence. Once this is accomplished, we may expect that much of the MHBK revenue will be cut off and ZAKO's stature considerably diminished. Without money, it is our opinion that the MHBK as an organization will wither on the vine -- an opinion shared by such local Hungarian figures as Groschan 2 and General VASVARY. As early as June 1950 there were signs of disintegration within the MHBK as a result of dissatisfaction with ZAKO's political policies. This feeling has since increased in spite of the fact that continued emigration has largely reduced MHBK membership in Germany and Austria to the hard core Arrow Crossers among whom ZAKO most readily finds support. When this element splits into factions, as now appears to be the case, ZAKO's "control" over the MHBK is slipping. Even in rosier days the term "manpower" when applied to the MHBK was most illusory. Membership figures seem to have been based on the subscription list to "Hungaria", with the assumption that every copy is read by from three to five additional persons. Today, confronted with internal dissension and wide dispersal of members, ZAKO can rely only on the support of the small clique surrounding him (~~KADAS, KAPITANFFY, etc.~~) and some of the unreconstructed Arrow Crossers still in this area.

4. For these very reasons we do not believe that participation by ZAKO in the proposed Hungarian guard company is either necessary or desirable. Even could his cooperation on our terms be obtained, we cannot believe that it would be profitable to us. New Hungarian refugees of military age are arriving here in increasing numbers, and many of them hope to join the U.S. Army under the recent alien recruitment law. These men are certainly the most likely candidates for agent and guard company recruitment, and we intend to concentrate on them rather than on refugees who have been here for a period of years. The advantages of recruiting the virgin newcomers and establishing control over them before they are contaminated by ZAKO's representatives or other hacks and freewheelers are obvious. We naturally agree that the guard companies should not yet be a topic of discussion with the French, but we would merely like to make clear our belief that we need not worry about a (ZAKO) manpower pool which is in reality nonexistent or at least of very minor importance for our purposes. It may be that ZACACTUS would not share this opinion, but certainly the record supports our political prognostication and presumably our views on virgin agent candidates would be equally applicable to their Hungarian operations.

5. We agree with Headquarters that we should take the opportunity presented by [ ] MHBK proposals to broaden the discussion to cover Hungarian operations in general and possibly to include liaison on a working level. However, we cannot envisage the exchange of any operational details or even minor operational assistance at this time. With the possible exception of some types of equipment

and some types of reports, we would be willing to give the French nothing and consequently could expect nothing from them. Actually, we feel strongly that we probably have little to gain from the French, whereas they might have much to gain from us. In any event, further consideration of local working level liaison should come only after [ ] , or [ ] , in Paris meetings strictly limited to a prepared agenda, has had an opportunity to evaluate the potential value of such liaison. Under no circumstances do we wish to assume support functions for French operations running through our Zone. Nevertheless it might possibly be that both we and the French could benefit from an open discussion and exchange of information on very general operational problems and methods involved in our separate attempts to establish intelligence nets in Hungary. First among these problems might well be the fabricators and intelligence mills which must certainly be as much of a plague to the French as to us. There is enough material on hand now for a close examination of French support of such dubious merchants as Dr. Jenoe DECLEVA and Farkas SRETER--two of the more prominent fabricators in the Graz area. If we succeed in burning these two groups with the French we will hasten their collapse by cutting off one more source of income. A continuing exchange of such reports as our MIS debriefings with the French would give both sides a broader base against which to check suspected fabricators, and, for more positive gain, would open a new source to us for information on the border area and for operational border information.

6. So far as the general operational discussions are concerned, we believe they should be in Paris with field representatives present from both sides, and handled later by written exchanges through Headquarters. If MIS-type debriefing reports are exchanged, machinery could be set up to handle the exchange indirectly through G-2, USFA, and the French Liaison Officer here. Direct operational liaison, devolving as it would on our undernourished Hungarian Section, would be most apt to become a worrisome burden with relatively small profit. The possibility of joint operations, or of U.S. financing of French operations, would, without a doubt, necessitate some sort of field liaison, but the possibility appears as such a remote one that we feel that we can afford not seriously to be concerned about it.

7. [ ] COMMENT:

[ ] unfamiliarity with the convolutions of Hungarian emigre politics prevents his being able to support Crattan's views on the rapid weakening of the MHBK, but, if anything, this only tends to prove that you can run Hungarian operations without knowing anything about ZAKO. It is perfectly clear after two months on the Salzburg scene that there are sufficient refugees coming out with no emigre attachments to permit us a sufficiently wide field from

**SECRET**

MASA-857

which to select agent recruits. The fact is that more are coming out than we can spot, select, recruit, train, and service. If any portion of our energiss were distracted by what would necessarily be rather long range efforts to find and develop operational assets of the MHBK, there is no question but that our own operational development would suffer. It would appear to be to our interests to have no intelligence service support the MHBK, but this is admittedly in the realm of speculation. If ZAKO were to emerge, as Grattan says, as Saint Istvan with the halo of Allied support, presumably he would attract most refugees to him and make our recruitment prospects more difficult. Most present day refugees of agent recruitment interest appear to be young lads with no particular political orientation, a desire for action, and no economic prospects. They would, one suspects, gravitate quite naturally into the embraces of a rejuvenated MHBK. Nevertheless, even with such a strong competitor for bodies in the field, it's hard to believe we couldn't find enough for our comparatively modest purposes. [ ] apologizes if these views seem provincial-- it is simply that he feels that the Hungarian Section of Salzburg Base can adequately perform its mission while largely ignoring ZAKO. Clearly, however, there are many other considerations that confront Headquarters--ZACABAL interests, relations with the FIS, ZASEAL considerations, CI and CE interests, and all the rest. Our disparaging comments on ZAKO should not be interpreted as implying that we are not more than willing to be of any help we can to Headquarters and to [ ] .

8. NEDHURST COMMENT:

We are informed by [ ] that [ ] visited MOB in August or September 1951 and after briefing [ ] held discussions with [ ] and [ ] . He told [ ] and [ ] that he had established operational contact with the MHBK, General VELCHEV and the Austrian representatives of the Horia Sima Committee, Mircea DIMITRIU and (fnu) BOROBARU through [ ] . He claimed that he had personally visited the [ ] office in Prenz to meet MHBK representatives. According to [ ] , Robert A. Ascham helped lay one the plans. The operations are still in the planning stage and the financing will be done by ZACABAL through [ ] . [ ] indicated to [ ] that the running of Rumanian operations from Paris is feasible and indicated he would like to coordinate his activities with those of [ ] . [ ] is reporting to FDP on the [ ] visit more fully. The matter was also discussed with [ ] .

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2-Vien  
3-Salz. files

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P.N.V. *[Handwritten initials]*