

12 March 1947

TO : Chief Reports Board, SSU
FROM : South Eastern Europe Division, Reports Board
SUBJECT : Intelligence Contribution of Zsolt Aradi

1. During the two-year period extending roughly from December 1944 to December 1946, source has been operating in Italy and Central Europe and has furnished a fairly consistent amount of valuable information. Foremost among his contributions to the overall intelligence picture have been his reports on Vatican policy in Hungary, Austria, Germany, Southeastern Europe and towards the USSR. In addition, he has from time to time supplied useful information on Hungarian and Austrian political developments with special attention to the role of the Catholic Church.

2. Of about 125 reports received from source, some 80-90 have been distributed, mostly to our general list of customers, but a considerable number, owing to their high-level interest with respect to Vatican policy, were sent in memorandum form to the State Dept. While only a few of the reports were evaluated by our customers, three of these were considered of definite value, fourteen as valuable, and three of slight value. However, evaluations of the best material - that sent by memorandum to the State Dept. - are not available.

3. Starting his activity in Italy in the fall of 1944, source established contact with representatives of the Hungarian anti-Nazi underground movement and with Hungarian personalities who had been sent to Italy by Regent Horthy to undertake armistice negotiations with the Allies. Initially, he furnished information on pro-Allied personalities in Hungary and the opposition both in Hungary and abroad. Some military intelligence was obtained, but was of little value since no fast lines of communication with Hungary apparently existed.

4. One of source's subagents entered Hungary in October 1944 before the Arrow-Cross putsch and remained in hiding until the occupation of Budapest by the Russians. Upon his evacuation to Italy in March 1945, he brought out information obtained from Count Geza Teleki, Minister of

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Education in the Debreczen Government, on the nature of that temporary Government and on the negotiations in Moscow for the preliminary Hungarian armistice. Teleki was aware that this information would be passed to the American Intelligence Service, as well as to the Pope and the Hungarian Minister to the Vatican with both of whom subsource had close connections. Subsource also made available to us a message he carried from Regent Horthy to the Pope.

5. At this time, through his Vatican contacts, source began to produce intelligence on Vatican policy. From the outset these reports were generally of high quality and indicated source's ability to obtain worthwhile information. It is this series of reports on Vatican policy which gradually developed into source's most valuable contribution to the intelligence picture.

6. Operating from Salzburg in the summer and fall of 1945 source was of use in tapping Catholic circles for information on Austria and Hungary. A report from a Hungarian Catholic subsource in October '45 gave perhaps the earliest information on anti-Communist Hungarian underground movements, including some of the personalities involved in the recent Nationalist plot. Information on the Hungarian Communist Party and Hungarian trade unions was also furnished.

7. Austrian subsources, including a Government official, supplied information on Catholic policy in that country, on Communist policy vis-a-vis the Church, on trade unions, and on various Austrian political developments. At the same time, through high Catholic contacts, including Cardinal Faulhaber, intelligence was received on Vatican policy in Germany and the objectives of the Catholic Church in Hungary and Rumania.

8. In the winter and spring of '45-'46, source continued his operations from Vienna reporting in particular on Hungarian developments. While some of his reports were of marginal value, the majority were found useful. Of unusual interest was a January '46 report on the arrival in Budapest of a special Russian group for the purpose of sounding out possibilities of a Communist putsch. Two reports, dated March '46, on Soviet-Hungarian transport and aircraft companies were outstanding examples of high-level intelligence.

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9. During this period source continued to produce significant intelligence on Vatican policy. Through his contacts, he was able to obtain highly interesting information relating to the negotiations between the Vatican and the USSR looking towards the possible assumption of diplomatic relations. This was followed by two more reports in November '46 on the same subject and on efforts to work out a modus vivendi between the Vatican and the USSR in Hungary. These reports gave detailed information from the Vatican Embassy, including the latter's own report to the Pope. During recent months source has continued to furnish from time to time information on various aspects of Vatican policy and on activities of important church officials.

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