CIA Files Relating to Heinz Felfe, SS officer and KGB Spy
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Heinz Felfe was an officer in Hitler’s SS who after World War II became a KGB penetration agent, infiltrating West German intelligence for an entire decade. He was arrested by the West German authorities in 1961 and tried in 1963 whereupon the broad outlines of his case became public knowledge. Years after his 1969 release to East Germany (in exchange for three West German spies) Felfe also wrote memoirs and in the 1980s, CIA officers involved with the case granted interviews to author Mary Ellen Reese.¹

In accordance with the Nazi War Crimes Disclosure Act the CIA has released significant formerly classified material on Felfe, including a massive “Name File” consisting of 1,900 pages; a CIA Damage Assessment of the Felfe case completed in 1963; and a 1969 study of Felfe as an example of a successful KGB penetration agent.² These files represent the first release of official documents concerning the Felfe case, forty-five years after his arrest.

The materials are of great historical significance and add detail to the Felfe case in the following ways:

- They show in more detail than ever before how Soviet and Western intelligence alike used former Nazi SS officers during the Cold War years.


² Name File Felfe, Heinz, 4 vols., National Archives and Records Administration [NARA], Record Group [RG] 263 (Records of the Central Intelligence Agency), CIA Name Files, Second Release, Boxes 22-23; “Felfe, Heinz: Damage Assessment, NARA, RG 263, CIA Subject Files, Second Release, Box 1; “KGB Exploitation of Heinz Felfe: Successful KGB Penetration of a Western Intelligence Service,” March 1969, NARA, RG 263, CIA Subject Files, Second Release, Box 1.
• They show the operational details of a Soviet penetration of Western intelligence agencies through former officers of Hitler’s SS.

• They demonstrate difficulties between US and West German intelligence concerning issues of control and security during the Cold War

Background:

Heinz Felfe was born in Dresden in 1918. He joined the Hitler Youth in 1931 before the Nazis came to power, he joined the SS in 1936 at age 17, and he became a commissioned SS officer in 1943. During the war Felfe did criminal police work in eastern Germany and in 1943 he joined the SS Foreign Intelligence branch, the SD (Sicherheitsdienst), stationed first in Switzerland and toward the end of the war in the Netherlands. His superiors stated that he had fine capabilities (he was fluent in English) and a strong work ethic. And there was, said one SS report, “no doubt concerning his political reliability.” On the other hand Felfe had egoistic tendencies, often stating that he was destined for greater responsibilities.3 After the war in July 1945 he straightforwardly told his British captors in the Netherlands that he had been “an ardent Nazi.”4

Recruitment into the KGB:

From 1947 to 1950 Felfe worked for British intelligence, reporting on communist party activities in the Cologne area. The British dropped Felfe on the well-founded suspicion that he was also working for the Soviets. Later statements to the CIA by Soviet defectors and by Felfe’s own colleagues suggested that the Soviets after the war systematically

3 Beurteilung über den SS-Unterstürmführer Heinz Felfe, 3 November 1943, NARA, RG 242, Microfilm Publication A3343 SSO (Records of the Berlin Document center, SS Officer Files,) Roll 201, Frame 257-58.

4 Tactical Interrogation Report, July 14, 1946, NARA, RG 226, Entry 190, Box 36, Folder XX8560-8577.
hired former SS officers for intelligence purposes, using their criminal records against them for continued leverage. The 1969 CIA report posited that:

The spotting of people like Heinz Felfe by the Soviet Union was not accidental, but the result of a well-targeted, well-developed recruitment campaign directed against former police and intelligence officers of the Nazi Reich. The thesis was simple…. Some of these people might be susceptible to a Soviet approach because of their general sympathies. Others, such as former Elite Guard (SS) and Security Service (SD) members, many of whom were now war criminals able to make their way only by hiding a past which had once put them among the elite, would be vulnerable to blackmail.

Felfe and other former SS colleagues from Dresden seem to have been easy recruits thanks partly to their bitterness toward the Allies for the firebombing of that city in February 1945. One of Felfe’s Dresden colleagues from the SD, Hans Clemens, began working for the Soviets in 1949. Felfe had given Clemens reports from the West while still working for the British, but seems not to have become a full blown Soviet agent until September 1951 when he received the code-name “Paul.”

In November the same year, Felfe secured a job in the Counter-Intelligence section of the Gehlen Organization – the West German Intelligence agency under the command of former Hitler general Reinhard Gehlen, originally sponsored by the US Army and then by the CIA. Felfe quickly moved up the ladder in the Gehlen Organization, taking charge of counter-intelligence against the Soviets in 1955. Thus the head of the West German office charged with countering Soviet espionage in West Germany was himself a Soviet agent. Felfe’s superiors in the Gehlen Organization, many of whom had also worked for Nazi criminal organizations such as the Gestapo and Secret Field Police, were themselves Soviet agents, thus making it easier for Felfe to advance in the organization.
Damage Caused by Felfe:

Felfe remained a Soviet penetration agent from 1951 until his arrest by West German authorities in 1961. There had been suspicions for years. The US Army Counter-Intelligence Corps (CIC) noted (based on sources from within the Gehlen Organization) Felfe’s dubious role as the leader of an “SD clique” within the Gehlen Organization as early as 1953; in 1954 CIC learned that it was highly likely that he was leaking information to the Soviets; and in 1955 CIC noted that “the suspicion that Heinz FELFE and the SD clique … are ‘enemies’ is growing steadily.”⁵ The CIA suspected by 1957 that Felfe was a security risk. Aside from clues from Soviet defectors and information belatedly garnered from CIC, the CIA noted that Felfe enjoyed a higher living standard than most people at his pay grade and that Felfe had often expressed bitterness to his US contacts over the destruction of Dresden and impatience with “the fuzzy ways of democracy.”⁶ CIA sources within West German intelligence also has their suspicions as to Felfe’s loyalties, but Felfe had the confidence of Reinhard Gehlen himself. Gehlen had always been lax concerning the presence of former SS officers within his organization, and Felfe was one of Gehlen’s favorites. “[For] many years,” read one report, [Felfe] “had had the privilege of personally briefing [Gehlen] on especially interesting and sensitive Soviet matters.”⁷

The damage that Felfe caused to western intelligence was compounded by lax West German security which allowed Felfe to get information from a variety of West

⁵ NARA, RG 319, Felfe,Heinz, File XE220949-1.
⁶ Chief Munich Base to Chief, EE, EGMA-47248, Feb 10,1960, NARA, RG 263, CIA Name Files, Second Release, Box 22, Felfe Name File, vol. 1. See attached document.
German offices, not only within the Gehlen Organization but within the BfV (West Germany’s equivalent of the FBI) and the West German Foreign Ministry. Thanks to the cooperation between the Gehlen Organization and the CIA, Felfe also had become the West German official most knowledgeable about CIA operations in Eastern Europe. The CIA estimated in its 1963 damage assessment that roughly 15,000 individual items were either blown completely or compromised by Felfe. In addition, Felfe was able from his position within the BND to sabotage most West German counter-espionage operations against Soviet agents in West Germany including arrest operations against Soviet spies and attempted surveillance of Soviet posts in the West.8

One example of the many projects compromised by Felfe concerned CIA operations run from its Berlin Operations Base against the Soviet compound in Karlshorst – Moscow’s military and intelligence headquarters in East Germany. Felfe personally lobbied for West German involvement in CIA operations during his visit to CIA headquarters in 1956. At this time Felfe shared with the CIA low grade intelligence deliberately provided by the Soviets as bait, the aim of which was to inspire CIA confidence in him. By 1958 the CIA shared details of its operations against Karlshorst with Felfe directly and through a newly placed West German liaison officer to the CIA’s Berlin Operations Base. Felfe soon revealed CIA operations against Karlshorst to his Soviet handlers. The CIA as a rule did not reveal the identity of its sources in Karlshorst, but Felfe was able to smoke out the identities of some, including a long-time asset who provided monthly status reports on Soviet agencies there. The Soviets, with Felfe’s help, also planted “dummy” sources within Karlshorst, who then fed disinformation to their

8 David E. Murphy, Chief, East Europe Division to Deputy Director (Plans), February 7, 1963, “Felfe, Heinz: Damage Assessment, NARA, RG 263, CIA Subject Files, Second Release, Box 1. See attached document.
CIA handlers. Some CIA assets in Karlshorst were allowed to escape to the West so that
the CIA would not become suspicious of Felfe. Others were arrested or simply
disappeared after the construction of the Berlin Wall in 1961. “As a result of such
aggressive manipulation by Felfe and the KGB,” the CIA’s 1969 study reads, “the
hitherto unilateral Berlin Base program against Karlshorst was largely compromised.⁹

**Conclusion:**

The new CIA files are extraordinary in that they chart the postwar career of an
especially prolific SS intelligence officer. It illustrates to a greater extent than ever
before the level at which former SS officials with any intelligence expertise were hired
and exploited on both sides of the Cold War divide, as well as the extent to which such
figures were tremendous security risks.

The released files also offer unparalleled insight into intelligence operations
during the Cold War. Many of the operations in which Felfe was involved are described
in great detail in these files precisely because the damage that Felfe caused was so
extensive. In addition, the files offer a particularly harsh indictment of the Gehlen
Organization itself, which not only hired former SS officers without proper background
checks, but which compounded its mistakes through such lax security that a penetration
agent could feed information to the enemy for an entire decade.

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57, NARA, RG 263, CIA Subject Files, Second Release, Box 1.
TO：Chief, BR

INFO：Chief of Station, Germany

FROM：Chief, Munich Base

DATE: 10 February 1960

SUBJECT：UPSWING / L

Assessment of @FRIESEN

ACTION: For Information

REFERENCE:

1. Attached for the record are copies of an assessment of @FRIESEN (Attachment A) and an account of farewell meeting with him at the Brücke on 29 January 1960 (Attachment B). Both items were written by shortly before his departure from Munich. The assessment of @FRIESEN contains nothing particularly new, but does provide additional insight into his character and personality. The account of farewell meeting, on the other hand, contains several very interesting points. In terms of revelations and the suspicions generated concern @FRIESEN, the points could be quite significant.

2. If one assumes the worst about @FRIESEN, it would make very good sense for him to make a pitch to go to the States in order to learn how to do bigger and better things against the RIS and to get the benefit of our superior experience. It would make equally good sense for him to talk up the idea of his spending a year in Moscow for the purpose of orientation and to learn the Russian mentality. The fact that @FRIESEN "dropped" both of those ideas at his farewell meeting with seems a rather noteworthy occurrence. @FRIESEN is not naive nor does he talk just for the sake of talking. It must be assumed that he is quite serious about both ideas, KUBARK obviously is in a position to control any trip by @FRIESEN to the States. A year's sabbatical in the USSR would be a somewhat different matter. Moreover, in the wake of KUBARK's recent and remarkable sales job, one must assume that if @FRIESEN played his cards properly he might well be able to sell his ideas to the UPSWING hierarchy.

3. The fact that @FRIESEN saw fit to drag @BONG along to the farewell meeting is somewhat mystifying. Regardless of the thoughts one may entertain about @FRIESEN, the presence of @BONG seems to have served no purpose and the reasons that prompted @FRIESEN to invite him appear obscure.

Approved:

Attachments:
A. Assessment of @FRIESEN
B. Farewell Meeting Report

Distribution:
2 - 25 w 1 cy ea Atts A & B h/w
1 - COS/G w 1 cy ea Atts A & B h/w
1. I have read the comments other KUBARKers have made about @FRIESEN and find I am in general agreement. On the score of his professional ability, there is not much doubt that he should be ranked high. Of course, the tendency to give him very good marks is affected to some extent by the fact we compare or contrast him with his UPSWING colleague, and a fair number of these would be quite easy to beat on any rating test given anywhere. Even so, @FRIESEN comes out well on such points as clarity of thought about operational possibilities, a certain amount of imagination (but one kept within check), determination to get on with a job despite considerable bureaucratic red tape, etc. He certainly gives the impression of a mature, seasoned officer who can be expected not to go off the deep end but who is not so cautious as to be content with the appearance of success. I have long felt that the cultivation of a close relationship by a KUBARK opposite number would be highly rewarding. As a real pro, @FRIESEN, I think, can be induced to talk a good bit about his work and that of UPSWING CS because he likes shop talk. If the KUBARKer, on the other hand, simply wants to get information and not give any (even if it is only sound operational opinion or observation or talk about some experience, appropriately sanitized), he won't get too far with @FRIESEN. He is too busy a man to waste time on idle chitchat. And he is too smart a man not to see through deliberate but unrefined fishing expeditions. While I think he can be and is at times devious, I feel that a straight approach by the KUBARKer dealing with him is best calculated to get results from him. @FRIESEN has a sound respect for savvy people who get quickly to their point. Any other effort by a not too artful opposite will be met by impatience and unsatisfactory results. I think @FRIESEN, more than any other UPSWINGER I know, will let a person know if he isn't cutting the mustard. We definitely is capable of foregoing politeness for politeness's sake. If I were to pick one person in UPSWING's CS Section to develop for the sake of getting the best available product, it would be @FRIESEN. Not only is his particular field of greater importance, but @FRIESEN himself is undoubtedly a man who will be around a long time and a person who can be reasonably well counted on to develop some fair product he would be willing to discuss with the right kind of opposite. The case of @FRIESEN is one in point. We worked hard on @FRIESEN and got something for his efforts.

2. Not only do I think a closer professional—and if possible personal—relationship is worthwhile for the sake of learning more of what UPSWING is doing in his field, but I also think such might be useful in trying to get closer to the bottom of the so far unresolved question about the man's allegiance. Means have been written about his standard of living, the source of his income, etc.—all with a view of trying to assess the chances that he represents a penetration of UPSWING. I have thought a fair amount about this problem, and like everyone else, I have no answer. All the little items about his performance in Berlin, his being there alone for a day or more without anyone else in his company, the famous ticket-scandal incident, the fact that his country house is conveniently close to the Austrian border, that he has a big apartment, that his son attends an Internat which is no cheap proposition, that he has a good car, etc., etc., could mean he has Eastern contacts. They could mean nothing, or that his rich uncle pays the bills.
3. More important than the tangible factors in his attitude, his motivation, or call it what you will. Elsewhere I have written about such evidences as I have seen which suggest that he is a lover of authority and probably impatient with the fuzzy ways of democracy; has expressed his opinion that he is the kind of person who suffers the present relationship with the Americans because it is momentarily convenient and expedient—not because he has any fondness or great respect for Americans—and that he probably waits anxiously the day when we are gone and Germany is outside the sphere of American influence. He always considered him an unreconstructed Nazi, and considers him a cold fish. I recall vividly his showing me pictures of his home-town, Dresden, before and after the war, and his strongly pointed remark that the Americans were largely responsible for the ruin of the city. I have never seen him before or since in quite so sentimental and at the same time irritated mood. He is an unusually materialistic person who likes to talk about bargains, values, and will ask such questions as "how much did that cost?" I have seen him feel materials in American house furnishings, and he carefully looks over whatever surroundings he finds himself in as though he were measuring the quality of the place and perhaps thereby the type of person who is his host. Now frankly I don't think all this is the sort of thing that adds up to the point where one could say he is a natural candidate for suspicion. Obviously, he bears some sort of close watching, and I think every effort should be made to go as far as possible in clearing up such doubts as we individually or collectively may have regarding the man.

4. For my part, I tend to conclude, at least on the basis of what we now have to go on (or do not), that SFRKESCH is not a penetration agent. This is intuitive; however, simply because the bits and pieces we have gathered could mean something sinister is a long way, of course, from saying he's the man. I will picture SFRKESCH as a competent, ambitious man who is every bit the realist and will serve that cause which makes most sense to him and will provide him with the best living. He's no starry idealist and seldom if ever goes into political subjects. I realize this opportunity could be interpreted to mean that he might like insurance on both sides of the curtain in the event some great change takes place and might thus have a little plan in effect with the East now. I doubt it, however, because although I cannot see him as a passionate advocate of Bonn, I think he is smart enough to sense that Bonn will probably outlast and ultimately overcome Pankow. To say more would be to take speculation into the realm of fantasy.

5. I have advocated a closer personal and professional tie to SFRKESCH primarily for the sake of intelligence yield; a by-product of this closer association could be clues or supporting evidence to the proposition that he might be a penetration agent. I am very skeptical on this latter score. Certainly if he is such an agent, it must be presumed that he is a very good one and that only social or professional connection, to come to a firm conclusion that he's it. Actually, it will not be easy to develop close social contact with SFRKESCH, his home is definitely not easy to get inside, and he is hardly lush with invitations. Some sort of a test, it seems to me, is the only way in the last analysis to prove or disprove the hypothesis.
Subject: Meeting with @FRIESEN on 29 January 1960

1. I asked @FRIESEN if he had any particular comments, recommendations, etc., he would like to make about our liaison, or more broadly, KUBARK/UPSWING relations in the CE field. After he finished his list of persons he would like to be remembered to in Washington, I said that while I would be glad to convey his regards, I actually meant something more by my original question, i.e., something more in the professional line. @FRIESEN thought for a minute and said that there were two things on his mind which he considered important and pertinent to my question. The first concerned the subject which had discussed with him in Bonn on 4 June 1959. @FRIESEN asked me if I remembered this, and I said yes. He went on in a very general vein to say that he is greatly concerned about the overlap of functions and activities of UPSWING, CAVATA, and KUBARK. As an example, he cited the operation and said that where three organizations have sometimes similar and sometimes conflicting goals all involved in one operation, only chaos can be expected. He said that he thinks good operational results can only be expected from those undertakings where one or at the maximum two outfits are sponsor. Aside from these observations, @FRIESEN never got down to brass tacks and made no proposals regarding the Americans. The fact that @SEBR was also with us (uninvited by @FRIESEN. On the whole, however, I doubt that he planned to make this an occasion for outlining his philosophy on how to run or how not to run the intelligence business in West Germany. I think he merely took the opportunity I offered him to underscore his now rather well-known line that there are simply too many outfits running haphazardly all over the place and causing confusion. While I think he would greatly welcome the conditions permitting a major his remarks that he considers KUBARK to be a major cause for the confusion. On the contrary, @FRIESEN's real gripe is directed primarily toward the Germans, and just as he had indicated to he feels that the German CE effort should all be under one roof (a phrase which he used more than once on this occasion).

2. Progressing logically from his first point to the second, @FRIESEN said that he personally would like to get into a much closer relationship with KUBARK on certain specific operational activity. The example he used was that of audio ops. He said that there is a great deal he does not know, not only about such operations but, about other operational possibilities against the KGB. It was at this point that he said he felt deficient in his work for not knowing a word of Russian—a major handicap in his estimation, and one exceeded only by his lack of understanding from actual experience of something of the Russian mentality (he contrasted himself in this regard with a man such as @Mr. ALBERT.). His observations wandered around a bit and came to the point where he said he thought it would be a good idea if he could be sent to the USSR under diplomatic cover for a tour, at least one year of which would be devoted to his cover work and getting the feel of Soviet culture, etc. I asked him if his own background would permit this since I assumed it would not be long before the KGB would have him tabbed. He seemed to think this would be no problem because he would go under a new name and any old pictures the KGB might have of him would be unrecognizable—"I've changed so much." (An altogether incredible display of naiveté, or something!) As far as I could judge, @FRIESEN does not apparently think of this assignment in Moscow as...
a means of trying to run operations against the Soviets—it would be almost exclusively an "orientation" for him and he assumes he would have some security type ops as well. It should be noted that at no time did @FRIESEN say or suggest that he actually had some firm plans, or that anyone else in UPSWING was planning this for him. It was more like wishing out loud. One other point: he said of course he would have to leave his family at home—school problems, etc.—but he felt this would be great difficulty for him, for a year or so anyway.

3. @FRIESEN then returned to the point about cooperation with KUBARK. He said he feels that there is our two organizations can do together in working against the KGB and the RU. He fully realizes that each of us will always have our separate interests but there are many areas where he thinks we can profitably get together. Again, however, he said he feels rather on the short end of things because his experience and that of UPSWING is so limited. He said that, for instance, he would very much like to talk to some of the more important types defectors we have. He says he knows of course that these people are in the United States, and not only for this reason but for others as well (see below) he would greatly like to have a personal (i.e., non-UJRACO type) trip to America. He said his last trip there was highly interesting but frankly he didn't care much about listening to talks about Satellite services or other marginal matters (sic.) He said he would most like to come over and talk about and learn about how to do bigger and better things against the KGB. He said he believes we are very advanced in technical methods for such operations and he would like the benefit of the help and experience. @FRIESEN said that quite apart from the KUBARK reaction to such a trip, the problem of getting the necessary UPSWING clearance is a big one. He said that he had to measure his chances in part on the basis that he already had had a trip to the States and that there is a number of UPSWINGers who would feel that they should go before he should have a second crack. (NOTE: @FRIESEN's remarks were not very precise on this score because there before he seemed to indicate that he would like to travel at UPSWING expense, now seemed to be back to UJRACO sort of concept.) I therefore asked him if he thought it would really be so tough to get UPSWING clearance to go because if they would send @Dr. LUCKRATH to Ogive Valley, it would seem that what he, @FRIESEN, was proposing was a more tangible matter and therefore more salable. @FRIESEN said that as he understands it, money for trips outside Germany is not hard to get if there is a very specific purpose, such as playing a part in a defection type operation that can be run from somewhere else, etc.)

4. By way of commenting on the above, I think it should be pointed out that @FRIESEN never directly asked me for my reaction to his thoughts or asked me to support his plan, if such it is. The best word I can think of to describe the tone of the discussion (which word is somewhat inaccurate because @FRIESEN was doing almost all of the talking) is the @FRIESEN was ruminating. Of course, there is no doubt but that he knows it would have been a poor task to do anything more at this stage than to ruminate, and he probably knows that I would repeat his observations both here and in Washington. And from his point of view, that is probably just what he wanted. One other comment: @FRIESEN did not have long to prepare himself for this talk because I arranged for the meeting only an hour before it took place.

Comment: @FROG also attended this meeting. It was @FRIESEN who brought apparently had little or nothing to say during the meeting.
When BERNHARDT first mentioned the case, he claimed that the French agent had committed suicide. He said that if the agent really had been murdered by the USSR, it was no doubt the same case that BERNHARDT had heard about in general detail during his recent leave. BERNHARDT then said that he believed this was right and that the agent had been murdered; although newspaper reporting on the incident had listed the cause of death as suicide, he now recalled the French had been definite in saying their double agent had been murdered.

BERNHARDT talked about FRIESEN at various times and at considerable length during the meeting. He made it quite clear that he has had his eye on FRIESEN for a considerable period of time - at least since some point in 1957. BERNHARDT noted that there were obvious flaws in FRIESEN's background which had come to the attention of UPHIL and which had necessitated a thorough and quiet check-out. BERNHARDT indicated that he had still been working on the FRIESEN case before the information had made his investigation take on much added significance. BERNHARDT indicated he had FRIESEN better tapped than we probably imagined and said that if there was anything wrong with FRIESEN, he thought there was a reasonably good chance to get to the bottom of it. BERNHARDT noted in general that he thought FRIESEN was a dangerous man because he was an inordinately skillful manipulator and elicitor, was much sharper than most of the people around him, and was the sort of guy who could really, without being too obvious, get his hands on almost anything. BERNHARDT noted that even UTILITY had succumbed to FRIESEN's charm and that FRIESEN, unlike almost any other officer of his level in UPHIL, for many years had had the privilege of personally briefing UTILITY on especially interesting and sensitive Soviet matters. BERNHARDT noted that in most other cases the "Abteilungsleiter" would do the briefing with someone of FRIESEN's level present. In all, sitting in the background to provide facts upon request. BERNHARDT said that in FRIESEN's many personal contacts with UTILITY, he could only have picked up a great deal of general background information, including information of UTILITY's intelligence and counterespionage philosophy, in the course of UTILITY's ruminations on specific cases being discussed. In the course of the meeting, the following specific points on FRIESEN came up:

- Have BERNHARDT the results of our BCC check on FRIESEN. BERNHARDT did not appear to be in the least interested and it seemed apparent that he had obtained this information long ago.

- BERNHARDT mentioned that a surveillance of FRIESEN was particularly tough because FRIESEN, in his present job, knew practically every UPHIL surveillant in the field as well as members of the "Hauskapelle". BERNHARDT said it would be disastrous to surveil an officer such as FRIESEN with personal he would immediately recognize.

- BERNHARDT went on to say that he was particularly interested in FRIESEN's choice of a country residence in Oberdorf, where FRIESEN spent all of his weekends. BERNHARDT noted that if anything was wrong with FRIESEN, he was easily located to carry out contacts with the East with relative simplicity since he was located practically on the Austrian border.
BERNHARDT said that he was so interested in FRIESEN's weekend activities that BERNHARDT had selected one of his very good and special security types (whom FRIESEN has never seen officially) who had obtained quarters in Oberdorf. BERNHARDT said his man's location was such that he could easily surveil FRIESEN's house and BERNHARDT thought get a pretty good reading on just how FRIESEN spent his weekends - how often he wandered into Austria, etc.

d. BERNHARDT said he also had enlisted the help of GARNOLD, Chief of the Dienststelle handling index matters, in an effort to keep an eye on FRIESEN. BERNHARDT said GARNOLD was a good and reliable friend of his and said it had been necessary only to tell GARNOLD that BERNHARDT was worried about FRIESEN's security. BERNHARDT said GARNOLD, thus far, had come up with the fact that FRIESEN had access to an apartment in Cologne located on Zwiepacher Platze. BERNHARDT said this apartment apparently belonged to an unknown friend of FRIESEN's and FRIESEN had his own key to the apartment. BERNHARDT said GARNOLD also had reported that FRIESEN quietly was making noises in the field about the raw deal his old friend Dr. KLAUSNER was getting from UHR. FRIESEN had mentioned to several people that he had called KLAUSNER over the Christmas holidays to express his sympathy. BERNHARDT said this was slightly odd since until recently FRIESEN had openly despised KLAUSNER.

e. BERNHARDT said his best line on FRIESEN was provided by one of BERNHARDT's special sources, who now works on index matters under GARNOLD. BERNHARDT said the officer in question got the index job more or less fortuitously over the objections of FRIESEN, although FRIESEN recently has warmed up considerably as far as BERNHARDT's friend is concerned. BERNHARDT said he had selected his man some time ago to play into FRIESEN because he has an attractive background from FRIESEN's point of view, because he is an extremely skillful editor and con man, and because BERNHARDT trusts him completely. BERNHARDT said his man had joined the SD and was a very early age. BERNHARDT said he had also heard BERNHARDT's instructions - secretly joined the German Communist Party years ago. BERNHARDT said he had thought at the time that the man's KPD membership might come in handy, and he thought perhaps the time had come.

f. BERNHARDT said that during a three-and-half-hour discussion between his source and FRIESEN at the Munich Bundesbahn on 28 February, FRIESEN had let down his hair and became extremely friendly with BERNHARDT's source. FRIESEN, in the course of this discussion, had mentioned numerous facts that were unknown to BERNHARDT. Among other things FRIESEN mentioned that he has a small photo lab in the cellar of his house in Oberdorf; at one point during the war his intelligence assignment was in a section called Aufklärung Schwei - apparently working on Gestapo matters; during the time in 1947 when FRIESEN was working for the British, he made various trips on their behalf to the DDR and on one occasion was picked up by the VoPo; in 1948 the British ordered FRIESEN to travel no more to the DDR because they had learned from one of his sources that he would be arrested - however, FRIESEN made several other trips; later when FRIESEN was working for the LVF
in Duesseldorf, he was involved in some sort of raid on a KPD installation; FRIESEN claimed that between October 1960 and February 1961 he saved 2,000 DM on his "Dienstreisekosten"; FRIESEN talked at some length about the few "real persons" like himself and BERNHARDT's friend with SD backgrounds got in present-day Germany, etc.

g. BERNHARDT said that although he was not sure of the timing, he expected to stage a low-key provocation against FRIESEN. BERNHARDT said he was planning to have his source reveal in great confidence and stealth off the record to FRIESEN the fact of his illegal KPD membership; BERNHARDT's men would do this while requesting advice from FRIESEN as a friend and former fellow SD officer, with considerable intelligence experience; BERNHARDT's friend would explain he was becoming increasingly concerned that his party membership would be discovered by U.S. agents and that FRIESEN would be followed by an approach from the East to BERNHARDT's source.

h. As regards FRIESEN's house in Oberdorf, BERNHARDT said he had done as much checking as possible within obvious security limitations and had managed to piece together information indicating that the financing of the house had been such that it logically could have been managed without any significant outside income. BERNHARDT said he also had determined that several persons were living in the house on a sub-lease basis and thereby providing FRIESEN with funds that could be used to pay off the mortgage.

i. BERNHARDT said he had confided in OSTURN, to some extent his doubts about the security of FRIESEN. BERNHARDT said that STURN's initial reaction had been one of skepticism, but after BERNHARDT had related various aspects of FRIESEN's background, especially in light of information about the U.S. trip, STURN had decided there must be something really wrong with FRIESEN. BERNHARDT said that when STURN had reached this point, he was eager to transfer FRIESEN immediately to some relatively harmless field assignment. BERNHARDT said that among other things, STURN was very concerned about FRIESEN's knowledge of KGB activities, especially in Berlin. BERNHARDT said he had worked hard to convince STURN that transferring FRIESEN could have disastrous consequences and really would solve nothing. BERNHARDT said STURN finally had agreed and BERNHARDT hoped he too agreed with his thinking. BERNHARDT said our thoughts on the matter were completely in line with BERNHARDT's thinking.

j. BERNHARDT concluded his comments on FRIESEN by saying that he wanted us to know that, as should be clear from his various comments, he held FRIESEN under extreme suspicion. BERNHARDT added that in spite of this, as far as he was concerned, one had to be fair and proceed on the basis that FRIESEN was innocent until proved to be guilty.

13. GERHARDT. BERNHARDT said that it was difficult to come to grips with the problem posed by GERHARDT, and noted that the only significant clues were the fact that he was a member of the index staff when it was founded and also one of the relatively few officers who presumably could have passed the defection instruction on to the East. BERNHARDT made a quick review of GERHARDT's background and stressed...
MEMORANDUM FOR: Deputy Director (Plans)

VIA: Assistant Deputy Director (Plans)

SUBJECT: Heinz FELFE Damage Assessment

1. This memorandum is for your information and requires no action. It represents a synopsis of the detailed damage assessment attached covering the activity of Heinz FELFE, a KGB penetration of the West German Intelligence Service (BND) from 1951 to 1961.

2. From June 1959 until his arrest on 6 November 1961 Heinz FELFE was the most knowledgeable of all BND officials on CIA operations against the Soviet targets in East and West Germany. With already some 8 years of experience as a KGB penetration of the BND, considerably more as a counter-intelligence officer, and a high degree of native intelligence and cunning, the KGB could only have evaluated his agent performance from that date as of the highest calibre. From the time of his entry on duty with the BND in November 1951, FELFE began to build with KGB assistance a reputation within the German Service as a Soviet operations expert. This reputation grew as he rose in BND ranks until he was able to so deeply ingratiate himself with the BND that he attained a position whereby he could initiate, direct, or halt any BND operations and later some of CIA's to the ultimate advantage of the Soviets.

3. As a result, the degree of compromise of operations, personnel and facilities in Germany has been very heavy. The details of more than 65 CIA REDCAP and LCIMPROVE operations and a few of the REDSKIN type are known to the opposition as is much of their related M/O. The extent and depth of our liaison relationships with West German intelligence and police organs is known to the Soviets. FELFE has provided the KGB with information which makes both CIA and the BND vulnerable to intensive CA attacks from the East. Over 100 CIA staffs were exposed in either true name or alias. The damage is not confined to the approximately 15,000 recorded individual items of known or possible compromise, but includes the more difficult to document loss occasioned by FELFE's manipulation of certain operations on behalf of the KGB in either the planning stage or during actual execution. His influence on some members of the BND was of such degree as to permit him at times to dictate liaison policy vis-a-vis the Americans with respect to Soviet operations.

SECRET
EYES ALONE
4. FELFE became so intimately concerned with CIA/BND operations against the Soviet installations and personnel in Bonn, Cologne, and Karlishorst that he was able to keep the Soviets sufficiently current on CIA strengths and weaknesses to allow the KGB wide latitude in countering most of our efforts. Frankfurt Operations Base formalized its joint operations with the BND in June 1959 for the primary purpose of obtaining BND support for audio-surveillance operations in the Federal Republic. Success should have been realized in a fair number of the many audio ventures, however, FELFE's timely reporting to the KGB and occasional blocking of planned action resulted either in their complete failure or a worthless product. Berlin Base entered into joint Karlishorst operations with the BND in July 1959 under a system which would have provided BOB with reasonable control over BND activity and maximum security for the Base's own assets. Again FELFE was able to provide the KGB with such extensive data on CIA Karlishorst targets, intentions, and M/O that in time the Base suffered virtual neutralization of its efforts in Karlishorst.

5. CIA's losses were not confined to the period after June 1959 although they did reach their peak from that date until Spring 1961 when the FELFE investigation became intense. For several years prior to the inception of the joint operations for which FELFE was the responsible BND officer, he had received periodic briefings and CIA reports on the Soviet Intelligence Services and their activities in East and West Germany. He had been privy to several operations on a case by case basis. FELFE had also been the guest of CIA at Headquarters for a week's briefings and a tour of the United States in September 1956. It does appear, however, that the earlier stages of his hostile career were devoted primarily to the collection of data on the BND and other West German governmental agencies with which he was in liaison.

6. Damage to the BND caused by FELFE's betrayals is of the broadest scope because of his deep insight into BND operations, policy, and administrative procedures. Here he was assisted by his fellow KGB agent and BND colleague, Hans CLEMENS. Although he has failed to admit much of what both CIA and the BND believe he compromised, what is known indicates that all major BND CE operations were compromised. To this must be added the compromise of all key BND headquarters personnel as well as a relatively high number of field officers.

7. FELFE easily crossed BND compartmentation lines using the weapon of elicitation with skill to obtain information not exclusive to the Soviet sphere. Munich Liaison Base received an "off the record" report from a responsible BND officer that the BND front office is convinced the
majority of the Service's tactical sources in East Germany were compromised and under hostile control as a result of FELFE's activities. BND officers were warned that these East Zone sources may possibly be used as channels for Eastern deception operations. MLB was also informed unofficially that a number of BND agents reporting with high speed transmitters had been lost in recent months and other determined beyond reasonable doubt to be under hostile control.

8. Although admittedly intangible, the psychological damage within the BND created by the arrest of a co-worker is significant. It may become difficult to restore esprit de corps at all levels. FELFE's treachery likewise, and possibly more significant, created a confirmed distrust on the part of outsiders both within the German government and foreign services which presumably will manifest itself in official transactions.

9. As one of the senior and most active BND liaison officers in contact with almost all West German Internal Security and Police services and several Federal Republic ministries and departments, the KGB in effect also gained through FELFE a valued penetration of these groups inflicting considerable damage on most of them. The American military intelligence services also suffered losses particularly in the revelation of operational interest in individuals traced with the BND and brought to FELFE's direct attention.

10. The assessment makes no attempt to gloss over the extensive damage done to CIA and the BND by FELFE. Continued investigation of leads to possible additional penetrations and follow-up on all aspects of the damage report now occupies most of the time of our Liaison Staff in Munich.

11. Despite this evidence of serious compromise, we cannot withdraw from liaison with the BND. It remains the Foreign Intelligence Service of the Federal Republic of Germany and as such provides us with a valuable channel to the German Government and a means for monitoring the attitudes, concepts and plans of that Government, particularly with respect to foreign and security policies. We intend to shape our liaison in the future with this in mind while conducting ourselves in a way which will avoid the depth of operational involvement and personnel compromise which characterized much of the past relationship.

[Signature]
'David E. Murphy
Chief
Eastern Europe Division