

# The Corporate Dimension of the Cold War in Hungary

ITT and the Vogeler/Sanders Case Reconsidered

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## Introduction

After the fall of Communism, the new, democratically elected government of Hungary exonerated two Western businessmen, Robert A. Vogeler of the United States and Edgar Sanders of Great Britain, who had been arrested by the Communist regime in Hungary in 1949 and charged with espionage and economic sabotage. The Hungarian government's actions seemed to give credence to the claims of innocence made by both victims of the Soviet-style show trials and by their respective governments.

However, a review of the sources in British, U.S., and Hungarian archives indicates that the two businessmen worked closely with U.S. and British intelligence and were indeed guilty of at least some of the charges leveled against them under Hungarian law.<sup>1</sup> The Cold War cooperation in Latin America and elsewhere between the U.S. Central Intelligence Agency (CIA) and multinational corporations such as International Telephone & Telegraph (ITT) has been well-documented, but research on corporate actions in subverting Communist regimes behind the Iron Curtain is lacking.<sup>2</sup>

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1. The Hungarian archives consulted for this article are the Állambiztonsági Szolgálatok Történelmi Levéltára (Archives of Hungarian State Security, ÁBTL) and the Budapesti Főváros Levéltára (Municipal Archives, Budapest, BFL). For documents from the Magyar Nemzeti Levéltár (National Archives Hungary), I relied on the translations of work done by Hungarian historians as noted in the subsequent citations. Heartfelt thanks to Csaba Békés, Tibor Glant, Gábor Bátonyi, and Attila Szörényi for their collegiality and assistance in this project. Thanks also to Gabriella Hermann, Balázs Simonyi, and Lilla Szathmáry, who worked with me in the Hungarian archives and helped with the translations.

2. See, for example, Douglas J. Little, "Twenty Years of Turmoil: ITT, the State Department, and Spain, 1924–1944," *Business History Review*, Vol. 53, No. 4 (Winter 1979), pp. 449–472; John Prados, *Presidents' Secret Wars: CIA and Pentagon Covert Operations since World War II* (New York: William Morrow, 1986); and U.S. Senate, Committee on Foreign Relations, Subcommittee on Multinational Corporations, "Multinational Corporations and United States Foreign Policy: Hearings," in *The*

Although many Western companies, accepting the inevitable, tried to cut their losses and sell their assets in Hungary after the Communists gained power, the case of ITT provides insights into the ways some Western corporations tried to protect their interests behind the Iron Curtain as the Communist regimes tightened their controls. ITT continued to compete with its rivals for business in Hungary and repeatedly sought assistance from the diplomatic legation in Budapest. ITT employees also worked closely with U.S. and British intelligence services. Further, ITT executives successfully negotiated a deal with the Hungarian government to continue operations while accommodating themselves to the new economic reality in Hungary.

U.S. State Department officials were highly skeptical of these agreements and doubted the sincerity of the Hungarian government's willingness to abide by them. In the case of ITT, U.S. intransigence caused the deal to fall apart, precipitating the arrests of Vogeler, Sanders, and dozens of Hungarians. The Hungarians, even under the hardline Stalinist regime of Mátyás Rákosi, were willing, on occasion, to balance the costs and decide "in favor of realism rather than doctrine."<sup>3</sup> Even in a closed Communist system, there was room for multinationals such as ITT, Philips Eindhoven, and others to operate, and many of them continued to engage in cutthroat competition for the limited business opportunities that remained.

For more than twenty years, Hungarian historians have considered the experiences of Vogeler from the perspective of U.S.-Hungarian relations and have used Sanders as a prism for understanding Anglo-Hungarian relations.<sup>4</sup> These studies, however, do not consider whether the accused were guilty of the

*International Telephone and Telegraph Company and Chile, 1970–71. Report to the Committee on Foreign Relations, United States Senate, by the Subcommittee on Multinational Corporations, June 21, 1973* (Washington, DC: U.S. Government Printing Office, 1973), microform. For histories of ITT, see, for example, Anthony Sampson, *The Sovereign State: The Secret History of ITT* (New York: Stein and Day, 1973); Thomas Burns, *Tales of ITT: An Insider's Report* (Boston: Houghton-Mifflin, 1974), Rand Araskog, *The ITT Wars* (New York: Beard Books, 1989); and Armando Uribe, *The Black Book of American Intervention in Chile* (Boston: Beacon Press, 1975).

3. Malcolm S. McCorquodale, MP, to Hector McNeil, Foreign Office, private and confidential, 31 December 1948, in Foreign Office (FO) 371/78562, The National Archives of the United Kingdom (TNAUK).

4. See, for example, László Borhi, *Hungary in the Cold War 1945–1956: Between the U.S. and the Soviet Union* (Budapest: Central European University Press, 2004); Attila Szörényi, "A Standard-per előzményei és előkészítése 1948–1950," Ph.D. Diss., Pázmány Péter Catholic University, 2012; Gábor Bátorfy, "Diplomacy by Show Trial: The Espionage Case of Edgar Sanders and British-Hungarian Relations, 1949–1953," *Slavonic and Eastern European Review*, Vol. 93, No. 4 (2015), pp. 692–730; Éva Figder, "Edgar Sanders: A British Spy behind the Iron Curtain," in László Péter and Martyn C. Rady, eds., *British-Hungarian Relations since 1848* (London: Hungarian Cultural Centre, 2004), pp. 281–288; Martin Mevius, "A Crown for Rákosi: The Vogeler Case, the Holy Crown of St Stephen, and the (Inter)national Legitimacy of the Hungarian Communist Regime, 1945–1978," *The Slavonic and East European Review*, Vol. 89, No. 1 (January 2011), pp. 76–107; Véra Pécsi, "The Standard Electric

charges, focusing more on trying to understand the Hungarian government's motivations in challenging the far more powerful Western governments. Recent accounts also do not examine the complex ways the United States and Great Britain cooperated in intelligence operations, including psychological warfare, designed to undermine the legitimacy and stability of the Communist regime in Hungary. This collaboration often involved employees of major corporations doing business in Hungary, such as ITT. The Vogeler/Sanders case is at the intersection of business history, diplomatic history, and intelligence history. Although the Rákosi regime, as others have argued, acted from political motivations and made the most of the propaganda opportunities the case presented, the regime's allegations about Vogeler and Sanders were not groundless. The two men were top business executives, but they were also acting on behalf of the United States and Great Britain against the Hungarian regime. Their experience made clear, well before the Hungarian revolution of 1956, that the United States and Britain had limited means to protect their citizens, defend their rights, and influence the behavior of governments behind the Iron Curtain.

### **The Standard Electric Case**

In the fall of 1949, Vogeler, the only U.S. businessman left in Budapest, was attempting to "save the last American company behind the Iron Curtain." As an assistant vice president of International Standard Electric Corporation (ISEC) and of ITT, Vogeler supervised foreign manufacturing subsidiaries of ITT, including Standard Electric Company of Budapest, the largest ITT subsidiary in Eastern Europe, employing 3,000 workers in the manufacture of telephone, telegraph, and radio equipment. After months of protracted negotiations between the Hungarian government and representatives of ISEC and ITT failed to produce a signed agreement, the Államvédelmi Hatóság (State Security Authority, ÁVH) arrested Vogeler and Sanders, the British comptroller of Standard Electric Budapest, on charges of espionage and economic sabotage, specifically accusing them of attempting to undermine the Hungarian Three-Year Plan. Imre Geiger, the director of operations at the plant, and three other Hungarian nationals had already been arrested on the

Trial," *The Hungarian Quarterly*, Vol. 162 (2001), pp. 85–98; Tibor Glant, "American-Hungarian Relations and the Return of the Holy Crown," in R. William Hupchik, ed., *Hungary's Historical Legacies: Studies in Honor of Béla Várdy* (New York: Columbia University Press, 2001); and István Pál, "The Vogeler Affair," in Zoltán Maruzsa, ed., *Show Trials, Concentration and Labour Camps, and the Fate of Political Refugees before and after World War II* (Conference E-Book, ELTE BTK, Department of Modern and Contemporary Global History, Budapest, 2011), pp. 113–124.

same charges. Vogeler and Sanders were denied access to their diplomatic legations, tortured until they confessed, and found guilty of all charges in a public show trial where they were not allowed Western defense counsel. Two of the Hungarians were sentenced to death, and Vogeler and Sanders received prison sentences of fifteen and thirteen years, respectively. Both the UK Foreign Office and the U.S. State Department vehemently rejected the charges against their citizens and used a combination of diplomatic and economic measures to secure their release, eventually overcoming Hungarian intransigence. Vogeler and Sanders, upon gaining their freedom, strongly asserted their innocence of all charges and condemned the Rákosi regime for its violations of civil and human rights. Immediately after being released, Vogeler expressed hope that his experience would “serve as a lesson to keep us on guard against the attacks constantly being made against a really true democracy.”<sup>5</sup>

## ITT in Hungary

Even before the end of World War II, U.S. diplomats sought to clarify the objectives of U.S. policy vis-à-vis Eastern Europe and the Balkans in the postwar world.<sup>6</sup> The State Department recognized that the “middle zone” between the Soviet Union and Germany and in the Balkan peninsula would most likely be devastated and on the brink of economic and political collapse, and analysts anticipated a “natural gravitational pull” on the peoples of those areas toward the Soviet Union. In a memorandum responding to an Executive Committee on Economic Foreign Policy (ECEFP) paper titled “United States Participation in Economic Reconstruction of Eastern and Southeastern Europe” and dated 6 March 1944, the State Department warned that if the economic stability of these countries was not restored in a “reasonably short time,” they might be forced into a degree of economic and political dependence on the Soviet Union that would automatically curtail their ability to choose for themselves the type of government and social system they wanted. The

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5. Charles Gurtzner, “Vogeler Back, Bids U.S. Stay Prepared: Robert Vogeler and His Family,” *The New York Times*, 2 May 1951, p. 1.

6. In a telegram dated 20 February 1944, Averell Harriman asked what would be the U.S. attitude regarding participation in the reconstruction and economic life of countries in close proximity to the Soviet Union. See Memorandum, D. M. Phelps, FMA, to Carr at ECA, 8 July 1944, in Record Group (RG) 353, Interdepartmental and Intradepartmental Committee, Executive Committee on Economic Foreign Policy, Files Concerning Interdepartmental Committees Relating to the CEEP, February 1944–August 1949, Box 76 (Proposed Subcommittee of the ECEFP on Economic Reconstruction of War-Torn Areas), National Archives and Records Administration, College Park, MD (NARA).

ECEFP recommended an evenhanded approach—namely, that the U.S. government should participate in the relief and reconstruction of Eastern and Southeastern Europe “just as we participate in those activities in other parts of the world.”<sup>7</sup> In subsequent meetings, the ECEFP issued a statement regarding U.S. citizens holding or doing business in foreign countries, reminding them that “unless there is a clear denial of justice under those laws there is no reason to believe that the Government will consider itself justified in making representations on their behalf.”<sup>8</sup> In other words, private U.S. citizens were on their own.

This evenhanded approach was undermined by a series of trade and collaboration agreements concluded between the Soviet Union and Hungary, Romania, and Bulgaria in the winter of 1945. A State Department intelligence report notes that the Hungarian-Soviet economic collaboration agreement signed in Budapest on 20 December 1945, followed by the creation of joint Soviet-Hungarian stock companies in the bauxite, oil, shipping, and civil aviation industries, would create “specific and implied monopolies” in their respective fields. The analysts believed the economic domination of the satellites by the USSR was being carried out through the use of the joint companies and through the channeling of trade in the direction of Moscow.<sup>9</sup> The United States and Britain wanted to keep Eastern Europe open as an area of investment. As Sovietization progressed, the Anglo-Americans attempted to intervene on behalf of the interests of their citizens who had private investments in Hungary. The Western powers feared that, once consolidated, the satellites would serve as a springboard for Soviet incursions into crucial areas in the western and southern European rimlands. “Eastern Europe was important enough to the Western powers to tempt them to challenge the Russians there—but not militarily.”<sup>10</sup>

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7. Ibid.

8. “Considerations Affecting Private Direct Investment in Foreign Countries,” ECEFP D-28/44, prepared by Division of Financial and Monetary Affairs, U.S. Department of State (DOS), in RG 353, Interdepartmental and Intradepartmental Committee (State Department), Committee Maintained by the Executive Secretariat, Executive Committee on Economic Foreign Policy, Documents, May 1944–June 1950, D-1/14 to D-60-44, Box 45, 5.19B ECEFP Meetings, 3. Documents 21/44–30/44, NARA.

9. “Recent Trade and Collaboration Agreements Concluded by Hungary, Rumania, and Bulgaria,” 19 April 1946, A#3526.3, prepared by DOS Office of Research and Intelligence, Europe, Near East, Africa Intelligence, in Intelligence Reports, 1941–1961, Report #3526-3, (Microfiche), NARA.

10. Stanley M. Max, *The United States, Great Britain, and the Sovietization of Hungary, 1945–1948* (New York: Columbia University Press, 1985), pp. 136–137. Max highlights the tactical differences in the British and U.S. responses to the unfolding events in what he describes as a U.S. policy of bluster that was much more aggressive than the more defensive posture adopted by the British.

## Standard Electric Resumes Operations

In this climate ITT's subsidiary, the Standard Electric factory, restarted production in February 1945. The heating system of the plant had been severely damaged, the roof was partly collapsed, some of the machinery had been damaged, and some had been stolen. The company's share of war reparations totaled almost \$8 million, which represented almost 90 percent of its total production at a time when the Department of State estimated the total value of U.S.-owned assets in Hungary at \$62 million.<sup>11</sup> In addition to critical shortages of all of the major materials necessary for production, the Hungarian government had frozen all dollar accounts, forcing Standard Electric to cover its existing production by taking out new loans with interest rates fixed by the government. Moreover, the interest payments were not considered part of the fixed expenses, which contributed to the drain on the company's resources. Access to high-quality raw materials remained the "most serious obstacle" to Standard as late as 1949, when the Vogeler/Sanders case unfolded.<sup>12</sup> This was when ISEC initiated a series of efforts to rehabilitate its manufacturing subsidiaries in Europe.

At the beginning of World War II, ITT was worth \$500 million, with 80 percent of its assets located in foreign countries and a third of its foreign assets located in Europe. As part of ISEC's initiative, ITT proposed to undertake the complete refurbishment of the Hungarian telecommunications industry, including supplying the country with modern equipment and the tools necessary for the long-term operation of the industry. In exchange, the company asked for 3 percent of profits over a ten-year period.<sup>13</sup> According to Vogeler, the plan was to rehabilitate properties that had not been confiscated by Communists. ITT would act as consultant to the Hungarians to suggest how to restructure their telecommunications system on the basis of both short- and long-range programs.<sup>14</sup> At the time the offer was made, the Hungarian government was still ruled by a coalition led by the Smallholders Party under Prime

11. Handwritten note for file, based on U.S. Department of Treasury 1947 census of American-owned assets in foreign countries, in RG 59, General Records of the Department of State, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Box 4, Vogeler Misc. No. 2, NARA.

12. XXXV.150, Pártarchívum iratok, Beloianisz Híradástechnikai (1952-ig Standard Villamossági) Gyár MDP Bizottságának iratai, 3. d., Standard termelési értekezlet jkv., 1949. márc. 22, in BFL. See also Pécsi, "The Standard Electric Trial," pp. 85–98; and Pécsi, *A Standard Villamossági Rt. története 1900–1949* (Budapest: Kézirat 1989), p. 122. See also Szörényi, "A Standard-Per."

13. Washington to Budapest, 10 October 1945, in RG 59, CDF 45–49 864.75/10-1045, NARA. See also Szörényi, "A Standard-Per," pp. 36–39.

14. Robert Vogeler, *I Was Stalin's Prisoner* (New York: Harcourt, Brace and Co., 1952), pp. 62–63.

Minister Ferenc Nagy. Although the plan would have allowed the extension of telecommunications services to every corner of Hungary, the coalition government turned it down because the agreement would have meant giving a foreign entity control over a strategic sector of the Hungarian economy.<sup>15</sup> The U.S. government, for its part, worried early on that “any help given to Hungary would go to the Russians through the back door.”<sup>16</sup>

The U.S. legation facilitated the discussions between executives of ITT and the Hungarian government. On 2 March 1947, Arthur Schoenfeld, a U.S. diplomat, forwarded a message from ITT’s chief negotiator in Budapest, Albert Pinkney, regarding his conversation with the Hungarian minister of communications about the so-called TelCom plan. According to Pinkney, the minister had expressed a preference for ITT over other companies and suggested that ITT wire him an invitation to visit in New York City to discuss the overhaul and modernization of the telephone network, together with its financing and the possibilities of a technical contract. They agreed that, upon receiving the invitation, the minister would place it before the Council of Ministers to secure approval in anticipation of any negotiations.<sup>17</sup> These negotiations occurred as the Soviet-backed Communists in Hungary began their push to consolidate a takeover, including a campaign to discredit and eliminate the other political parties through a series of arrests and torture-induced confessions. James McCargar, a secret operative for an organization known as the “Pond” who worked under cover of the political desk at the U.S. legation, concluded that “[w]hether Washington liked it or not, the Soviet challenge [in Hungary] was political and strategic.”<sup>18</sup> One of his informants, an ÁVO agent, was convinced “the handwriting was on the wall.”<sup>19</sup> McCargar traveled to Washington, D.C., where he met with Charles Bohlen. According to McCargar’s account of that meeting, Bohlen agreed with his analysis of Soviet intentions but indicated that the public was war-weary and in no mood

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15. Pál, “The Vogeler Affair,” p. 128.

16. Jelentés a Standard ügy értékeléséről [Report on the Evaluation of the Standard Case], in XIV/4/1, Folder 64-135/14/1970, Állambiztonsági Szolgálatok Történeti Levéltára (Archives of Hungarian State Security) (ÁBTL). The report quotes a letter from the ITT negotiator, Ogilvie, to Behn, dated 11 March 1946: “Minden segítség amit Magyarországnak adnak, Oroszországnak való segítséget jelent— a hátsó kapun.”

17. Telegram, Schoenfeld, Budapest, to Acheson, 2 March 1947, in RG 59, General Records of the Department of State, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Box 4, Vogeler Misc, (2), NARA.

18. Christopher Felix (pseudonym for James McCargar – hereinafter cited as McCargar), *A Short Course in the Secret War* (New York: Madison Books, 1992), pp. 194.

19. *Ibid.*, p. 195.

to take any action against the Soviet Union that might provoke another war.<sup>20</sup>

This did not mean that the U.S. government would take no action at all. By January 1948, the National Security Council (NSC) was considering a proposal for the control of exports to the Soviet Union and Eastern Europe. Using language proposed by the Commerce Department, the “R” procedure for export controls required license control for all shipments to Europe and any dependent area that was considered a recovery area. The NSC acknowledged the “considerable feeling” that the United States should completely control U.S. exports to Eastern Europe and recommended the “R” procedure as the best means to accomplish this “without apparent discrimination which might lead to retaliation.”<sup>21</sup> The NSC memorandum also noted that in such a way a “quid pro quo” could be established and the burden on the U.S. trade community would be minimized by control of all exports “to destinations where private trade now finds the greatest number of obstacles rather than by control of many commodities in fairly free supply to all destination.”<sup>22</sup>

On 11 May 1948, Ernő Gerő, who oversaw the Hungarian economy, approved a plan to obtain the majority of Standard’s shares because of its “extremely valuable equipment, considerable production capacity and foreign technology links.”<sup>23</sup> The plan called for the government to use the company’s reliance on state credit as a bargaining chip to demand company shares (51 percent) in return for continuing access to government loans.<sup>24</sup> One month later, Béla Sulyok, vice president of the Hungarian National Bank, was appointed by the Hungarian Workers’ Party (Magyar Dolgozók Pártja, or MDP)

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20. *Ibid.*, p. 199. McCargar argued strenuously for efforts to save at least some of the Hungarians. “We cannot just leave those whose principles and courage will be our assets and their doom to prison, torture and death.” He then proceeded to draw up a series of escape operations “designed to save political leaders whose resistance to the Soviets put their lives or freedom in danger, but with sufficient leeway to allow the inclusion of some persons who may not have been politically active, but who nonetheless merited our help” (p. 200). During the fall of 1946, the political police were reorganized as the Államvédelmi Osztály (State Security Department, ÁVO) with Péter Gábor as its director. Division 16 was required to prepare blacklists of anti-Communists and “dangerous or hostile elements,” and by 1947 it had more than 1,500 informers in the Budapest industrial complex. The ÁVO became the ÁVH in 1948.

21. Memorandum for NSC by Souers, re: Control of Exports to the USSR and Eastern Europe, February 1948, in Papers of Harry S. Truman, STAFF MEMBER & OFFICE FILES, NSC File Box 8, Chrono File: 1948 (January–March), Harry S. Truman Presidential Library (HSTL).

22. *Ibid.*

23. PIL 274. f., 12. á. 98. ó. e., Gerő feljegyzése Frissnek, 1948. máj. 12. 9, MKP, cited in Szörényi, “A Standard-Per,” p. 42.

24. *Ibid.*

as official state representative in the talks with the owners of foreign firms.<sup>25</sup> The U.S. Department of State considered the Hungarian offer to ITT an ultimatum.<sup>26</sup> The U.S. legation in Budapest reported the Hungarian government was pressing for Colonel Sosthenes Behn, cofounder and president of ITT, to come to Budapest for negotiations.<sup>27</sup> To increase the pressure further, Béla Sulyok authorized the arrest of three managers of the Standard Electric plant for alleged violations of contracts with the Hungarian postal service, an action that, as Sulyok later acknowledged, was for the sole purpose of forcing Standard's owners to the negotiating table.<sup>28</sup> In response, Behn contacted Pinkney to let him know that he would come to Budapest in the late summer, instructing him: "you must sit on the lid and not let them scare you off repeat not let them scare you off."<sup>29</sup>

At a November meeting in Budapest, Behn, Vogeler, Sanders, and the Hungarian plant manager, Geiger, drew up a detailed memorandum that served as the basis for the upcoming negotiations. The purpose of the commercial agreement was to "clarify and settle all existing differences" between the government of Hungary and the Standard Electric Co. of Budapest and its subsidiaries.<sup>30</sup> In return for Hungarian acceptance of six conditions, ISEC would provide Standard Budapest with licenses, patents, and blueprints to produce, sell, and install certain telecommunications and other electrical equipment in Hungary and to export such equipment to other East European countries. ISEC would receive 4 percent of sales, payable in dollars or in exportable merchandise.<sup>31</sup> Vogeler described these as "efforts to forestall nationalization by means of a mutually acceptable agreement" and added,

Neither side was kidding the other. We knew that we would be expropriated eventually if the Stalinists remained in power. . . . It might be a losing game . . . but there was still a chance that we could win. We had been forced to play the

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25. For a summary of the early history of the Standard Electric Company, see Pécsi, "The Standard Electric Trial," pp. 86–98; and Szőrényi, "A Standard-Per," p. 22.

26. New York headquarters instructed Pinkney that it was willing to sell only up to 25 percent of its shares and only in U.S. currency. See Telegram, Washington to Budapest, 7 June 1948, in RG 59, Entry A1 3083, Records Relating to Hungarian Affairs, 1949–1963, Vogeler Misc. No. 2, NARA.

27. *Ibid.*

28. VII.5. e, B.XL.1789/1950, V-600/31, Jelentés Radó kihallgatásáról, 1950. jan. 16. 152, BFL.

29. Telegram, DOS to Am Legation in Budapest (asking them to forward message to Pinkney in Budapest from Col. Behn), 30 July 1948, in RG 59, General Records of the Department of State, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Box 4, Vogeler Misc, No. 2, NARA.

30. Vogeler, *I Was Stalin's Prisoner*, pp. 82–83.

31. *Ibid.*

same game in other countries where totalitarian regimes had come to power, and in most instances we had been successful.<sup>32</sup>

Both Rákosi and Gerő agreed to the proposal. Rákosi took such a close interest in the case that he even made modifications in the text himself. On his initiative, the agreement specified that Standard Budapest (and its subsidiaries) would not be nationalized *for the duration of the agreement*.<sup>33</sup>

In April 1949, ITT executives met with State Department officials in Washington to review ITT's position, indicating they felt they had "no alternative but to make every endeavor to arrive at an agreement with the Hungarian Government in order to place the Company in a position where it can continue as a going concern for at least the indefinite future."<sup>34</sup> All present concurred that if an agreement could be made *and* if the Hungarian government complied with its obligations, the position of the company would be "immeasurably improved and in fact saved from disaster now threatening us."<sup>35</sup> At the same time, all present recognized that they could not count on the sincerity of the Hungarian government. "The ITT view is that at least the evil day may be delayed."<sup>36</sup> As a result of this meeting, the negotiators for ITT concluded that, "whereas heretofore the State Department has only supported claims for compensation on expropriations of property rights de jure, the impression was gained that the State Department would now render support in meritorious cases where expropriation was accomplished de facto."<sup>37</sup>

Rákosi and his colleagues were serious in their intentions to honor the agreement, even though the State Department remained skeptical that the Hungarians would allow Standard Electric to remain under U.S. ownership. In July 1949, Ambassador Averell Harriman, citing a reliable source, informed the administrator of the U.S. Economic Cooperation Administration that the Hungarian government had given ITT assurances that its Hungarian subsidiary, Standard Villamosági Részvény Társaság, would not be nationalized for five years on the condition that the "American parent concern enter [a] new

32. *Ibid.*, p. 89.

33. For a detailed discussion of Rákosi's role in the Standard case, see Szörényi, "A Standard-Per," esp. pp. 191–205.

34. Memorandum on Discussion with Officials of the State Department Regarding Hungary on 8 April 1949, 14 April 1949, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Box 4, Vogeler Misc. No. 2; 31 May 1949: Draft Agreement between ISEC and HUG Signed by two committees, NARA.

35. *Ibid.*

36. *Ibid.*

37. *Ibid.*

technical assistance agreement with Standard.”<sup>38</sup> According to the report, the new agreement would include the latest technical know-how on production of radio equipment and radio tubes, as well as telephones and switching equipment.<sup>39</sup> The Hungarians were so convinced the deal would be consummated that they informed the Soviet Ministry of Armed Forces that Standard Electric would remain “English-owned, under Hungarian government control.”<sup>40</sup> Further, as late as the fall of 1949, a nationalization proposal being prepared by the MDP specified that Standard Electric would be “exempt from nationalization” for the duration of the (as yet unsigned) agreement with ISEC.<sup>41</sup> U.S. officials, particularly some members of the U.S. Joint Chiefs of Staff (JCS), were the ones most reluctant to approve the proposal.

Defense Department analysts agreed that, from a communications standpoint, the United States could gain “considerable benefit” from a modified agreement with the Hungarian government. But the JCS worried that, from a military perspective, the proposed agreement was highly objectionable because it would “greatly enhance the war making potential of Hungary, hence the Soviet system.”<sup>42</sup> John C. Ohly, a special assistant to the secretary of defense, pointed out that military analysts had failed to take into account that the company had properties already operating in Hungary and that the existing agreement was far less advantageous, from the U.S. standpoint, than the proposal. He also emphasized that a failure to endorse the agreement could lead to the confiscation of ITT properties, with the loss of approximately \$7 million. Ohly conceded that confiscation might be inevitable anyway, and he also noted that Dutch and Swedish interests might step in and take over in the event that ITT withdrew.<sup>43</sup> A confidential State Department memorandum details attempts by Behn to meet personally with representatives of the State, Commerce, and Defense Departments to argue that, if ITT

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38. Telegram, Harriman in Paris to Economic Cooperation Admin. Administrator, 16 July 1949, in RG 59, General Records of the Department of State, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Box 4, Vogeler Misc, (2), NARA.

39. *Ibid.*

40. Szörényi, “A Standard-Per,” p. 63.

41. *Ibid.*

42. Memorandum, Joint Communications-Electronics Committee to Joint Intelligence Committee, re: Proposed Agreement between ISEC and HUG, 2 September 1949, Appendix B: Facts Bearing on the Problem and Discussion, NARA, RG 218 Records of the U.S. Joint Chiefs of Staff, Geographic File 1948–1950, 311 Hungary (7-14-49), Box 28, Folder CCS 311 Hungary, NARA.

43. Memorandum, John C. Ohly to Sec. of JCS, re: Proposed Agreement between Hungarian Gov. and the ITT Company, 14 October 1949, in RG 218, Records of the U.S. Joint Chiefs of Staff, Geographic File 1948–1950, Hungary (7-14-49), Box 28, Folder CCS 311 Hungary, NARA.

did not provide the technical information required by the contract, other foreign companies—for example, Ericsson or Phillips—would. Competition from these corporate rivals was a major concern as Behn attempted to persuade the U.S. government to act expeditiously. He wanted the Department of State to intercede with the Defense Department to prevent the loss of ITT's Hungarian subsidiary through forced bankruptcy or nationalization.<sup>44</sup> In a memorandum of conversation, Behn added that the Dutch company Philips Eindhoven and an unnamed British company were also competing to provide equipment and information to countries behind the Iron Curtain. Behn argued that it would be “advantageous from certain military and intelligence points of view” if ITT were to retain control of its interests in Hungary.<sup>45</sup> Nevertheless, approval for the plan was withheld, the Hungarian government lost its patience, and on 18 November 1949 the order for the arrests was given.

### **Vogeler's Ordeal and the Efforts to Secure His Release**

When Vogeler was arrested, the U.S. State Department attempted several measures to secure his freedom. Diplomatic notes of protests, requests to visit Vogeler and to provide him with Western defense counsel, and face-to-face meetings between U.S. Minister Nathaniel P. Davis and the Hungarian Foreign Ministry and with Rákosi himself failed to move the Hungarians. Despite the provocations, U.S. officials believed it advantageous to continue diplomatic relations with Hungary to avoid “formalizing the arbitrary separation of eastern from Western Europe, to obtain information on conditions in Hungary, to manifest our interest in the welfare of the Hungarian people, and to take every practicable step to protect American interests there, and to exert every possible effort toward achieving our short-term objectives in Hungary.”<sup>46</sup>

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44. Thompson, EUR, to Mr. Campbell, EE, re: Visit of Col Behn, ITT Corp, 14 November 1949, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Box 4, Vogeler Misc. No. 2, NARA.

45. Memorandum of Conversation (MemCon) Behn, ITT, Thompson, EUR, Margrave MD, Taylor and McKisson, EE, re: Proposed Contract with Hungarian Government Prepared by McKisson, 15 November 1949, RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Box 4, Vogeler Misc. No. 2, NARA. John C. Campbell, EE/Balkan affairs, forwarded a copy of this MemCon to the U.S. legation in Budapest.

46. Department of State Policy Statement on Hungary, 1 November 1949, in U.S. Department of State, *Foreign Relations of the United States*, 1949, Vol. V: Eastern Europe, the Soviet Union, p. 475 (hereinafter referred to as *FRUS*, with appropriate year and volume number).

As a result, the United States closed Hungarian consulates in New York City and Cleveland, denied licenses for exports to Hungary, imposed a travel ban on citizens traveling to Hungary, and froze Hungarian goods in the Western Zone of Germany (an area that had already been consolidated as the Federal Republic of Germany earlier in 1949). Hungarian exports to the United States declined from \$1.7 million to \$600,000 from 1949 to early 1950, and Hungary's exports to the United Kingdom declined from \$26.3 to \$1.2 million during the same period as a consequence of U.S. and British economic sanctions.<sup>47</sup> Davis concluded that, for the present, "we have no lever powerful enough to budge Hungarian, let alone Soviet, intransigence."<sup>48</sup> After several aborted attempts, the Hungarian government finally decided to release Vogeler in April 1951, having received assurances from the U.S. government that it would make adjustments on the radio wave signals of Voice of America (VOA) broadcasts behind the Iron Curtain and restore the status quo ante in U.S.-Hungarian relations. The Vogeler case had a profound impact on that relationship for years to come, and Sanders languished in a Hungarian prison for almost two more years before the British and Hungarians could come to an agreement about his release.

In a review and analysis of the Vogeler case afterward, Davis speculated on the political motivations of the Hungarians and noted that the Hungarian government's motive in Vogeler's arrest and trial was primarily to demonstrate the power of the Communists to "persecute a prominent representative of American big business with impunity" and also to force a reduction in the size of the U.S. mission in Budapest and to pave the way for the nationalization of the remaining Western industrial enterprises in the country.<sup>49</sup> He concluded that the Hungarian government succeeded "brilliantly" in achieving these objectives, although he did not explain why Hungary or the Soviet Union would have agreed to Vogeler's release in the spring of 1951. Davis noted they had "played us against the British for months. Having reached an impasse with the latter, they may have decided to try the leverage of an aroused British public opinion to obtain a favorable trade agreement in exchange for Sanders."<sup>50</sup>

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47. Hungarian Trade with the West, 12 December 1950, in RG 59, General Records of the DOS, Office of the Legal Advisor, Records Re Claims with Hungary, 1956–1968, Vogeler Case, Box 5, Vogeler Case 2 of 2, NARA,

48. Davis to Acheson, re: the Vogeler Case, 9 August 1950, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Hungary, USAF plane incident to Vogeler Case #1, Box 2, Vogeler Case #7, NARA.

49. Dispatch, Minister in Hungary Davis to DOS, re: The Vogeler Case, 2 May 1951, in *FRUS*, 1951, Vol. IV, Europe: Political and Economic Developments (Part 2), pp. 1460–1461.

50. *Ibid.*

Both Davis and Sir Geoffrey Wallinger, the British minister in Hungary, believed that the Hungarian government was aiming to extract the maximum propaganda value from the public confessions and trials of Vogeler and Sanders and then to use the two prisoners as commodities, exchanging them for the highest acceptable price. In the case of Vogeler, the Hungarians wanted the VOA wavelength changed; in the case of Sanders, they sought to resume trade negotiations with the British.<sup>51</sup> Davis believed that national pride also played a role in Hungarian calculations. He pointed out that the headlines emphasized “Hungarian-American Negotiations” with no hint of any other (i.e., Soviet) involvement: “They are in a position, which undoubtedly they will exploit before their own public, to make it appear that they forced the American Government to grant certain things which it had ‘illegally’ withheld.”<sup>52</sup> The Standard trial did, as others argue, serve the regime’s political aims. The convictions of Vogeler, Sanders, and their Hungarian colleagues sent a strong message to Moscow, the West, and audiences behind the Iron Curtain.<sup>53</sup> This focus ignores, however, the fact that many of the charges leveled by the Hungarians were actually true. In a speech before the Central Executive Committee of the MDP, Rákosi commented, “these spies are in point of fact the vilest and most dangerous enemies of the Hungarian People’s Democracy” and promised they would receive the harshest possible sentence.<sup>54</sup>

## Corporate and Western Intelligence Operations behind the Iron Curtain

Even before the Second World War, ITT, under the leadership of Behn, had affiliates around the globe and frequently cooperated with U.S. and British intelligence services during the war. In addition to reaching out to the Office of Strategic Services (OSS) with plans for the Spanish telephone

51. Ibid., pp. 1461–1462.

52. Ibid. pp. 1462–1464.

53. Melissa Feinberg argues that on both sides of the Iron Curtain a political culture developed that relied on “tropes of truth and lies to justify their political vision.” In the case of Hungary, the show trials of the late 1940s and early 1950s, including those of Vogeler and Sanders, reinforced the depiction of a Western threat to the socialist dream, where spies and saboteurs were intent on undermining the economic development of the Eastern bloc. See Melissa Feinberg, *Curtain of Lies: The Battle over Truth in Stalinist Eastern Europe* (New York: Oxford University Press 2017), esp. introduction and ch. 1.

54. U.S. Department of State Press Release quoting 19 January 1950 interview Rákosi and Davis, 17 February 1950, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Hungary, USAF plane incident to Vogeler Case #1, Box 2, Vogeler Case #2, NARA.

communications system, Behn worked to secure entry for Gerard Jules Lehman, a leading authority on radar detection, whose expertise was deemed to be “of greatest value” to the Allied effort.<sup>55</sup> This information was later forwarded to the U.S. Army’s military intelligence unit, G-2.<sup>56</sup> Some describe Behn’s private intelligence service as “unrivaled.”<sup>57</sup> Although files relating to the Vogeler case are no longer available in the ITT archives, records in the U.S. National Archives indicate that, after the war, Behn, Vogeler, and Sanders continued to have frequent contact with G-2 headquarters in Vienna.<sup>58</sup> In an

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55. During the war, for example, Behn was in direct communication with William Donovan’s OSS. (The OSS was the wartime intelligence service and the precursor to the CIA.) An OSS dispatch dated 5 February 1943 from Donovan to Gregory Thomas, an executive at ITT’s New York headquarters, discusses Behn’s involvement in securing plans for the Spanish telephone communications system. In the dispatch, Donovan states: “If I am correct in assuming that you are in contact with IT & T, I suppose you know Col. Behn personally. If so please see if you can get the material for us. Also advise him we will do what we can to expedite the visa in question. If he confirms the story and requests us to use our influence.” A few days later, Donovan personally followed up with Thomas to see whether he had obtained materials from Behn. See William Donovan to Gregory Thomas, February 5, 1943, in RG 226, Office of Strategic Services, Entry 190, Field Station Files, Box 575 (Microfilm #1642, Roll #36), NARA. For other communications see Consultations between Behn and G-2, Army Intelligence, re: activities in France, Algiers, and Monrovia, in RG 226, Box 239, Entry #92, COI/OSS Central Files, 1941–1946, Folder 055, NARA. Sampson contends that Behn’s private intelligence service was “unrivaled” and that he developed a close relationship with U.S. intelligence agencies during World War II, performing useful services for them with his own private information network. Although the U.S. Justice Department and the Federal Bureau of Investigation continued to distrust him, military intelligence found him and his telephones “indispensable.” Sampson, *The Sovereign State of ITT*, p. 41. Sampson speculates that Allen Dulles, who oversaw OSS operations in Switzerland during World War II, may have played a key role in rehabilitating Behn. According to Sampson, Dulles contacted Behn and arranged for ITT’s return to Europe “via the American Army” (pp. 38–41). This is corroborated in Burns, *Tales of ITT*, p. 8, which notes that Behn “emerged as a conquering Allied hero, of sorts,” often appearing behind the liberating Allied armies to restore ITT’s presence. This is further supported by Sampson, who describes the chaos and confusion of Allied military operations in Germany: “In the postwar rubble there were all kinds of business marauders, picking up what they could; but ITT were in the forefront.” Sampson, *The Sovereign State of ITT*, p. 40. Sampson concludes that ITT officials developed a very close relationship with the U.S. Army, citing as evidence a statement on 4 August 1945 by Congressman Jerry Voorhis: “Here we have a great international corporation with the most definite kind of property interests in Germany having its own vice presidents in positions of power with regard to deciding what is to be done to prevent the reconstruction of Germany’s war making power” (p. 40).

56. Memorandum, Whitney H. Shepardson to Col. William Donovan, OSS, 23 February 1943, in RG 226, Office of Strategic Services, Entry 190, Field Station Files, Box 575, (Microfilm #1642, Roll #36), NARA

57. A November 1947 internal *Time* memorandum from Washington, DC, reported, “We know that Sosthenes Behn has been watched and used by US intelligences agencies for a long time. All of this is in the Department of Cloak and Dagger and we could never defend ourselves in court with G2 records.” Quoted in Sampson, *The Sovereign State of ITT*, p. 38.

58. After a nearly two-year search for ITT’s archival records of the Standard case, I contacted Fern Daves, legal assistant to the director of records management at ITT, who informed me that they could identify no records relating to my request for information on the Vogeler/Sanders case. Fern Daves, email to author, 20 November 2015.

interview years later, McCargar recalled: “Vogeler had in fact links to the Army’s CIC [Counter Intelligence Corps] in Vienna.”<sup>59</sup>

The Standard case unfolded within the larger context of both U.S.-Hungarian relations and U.S.-British relations as the two allies coordinated their Cold War policies vis-à-vis Iron Curtain countries, often secretly and with plausible deniability. The case occurred at a curious moment in U.S. intelligence history when several organizations unconnected with each other were embarking on intelligence gathering. One key means of waging the Cold War was through covert operations, including some undertaken in concert with the British. One of the West’s biggest challenges was accurately assessing Soviet strategic capabilities.<sup>60</sup> U.S. and British officials generally agreed on the need to confront and contain the Soviet Union, but they disagreed at times about the best means of achieving this, particularly in places like postwar Hungary.

A variety of joint and unilateral intelligence efforts were under way to protect Western interests or to undermine Communist influence and control within Hungary. For example, McCargar, the “Scarlet Pimpernel of a renegade American intelligence service,” built on an already “established and functioning network” operating out of the U.S. legation in Budapest, set up under the auspices of a secret intelligence organization known as “the Pond.”<sup>61</sup> Separate

59. James McCargar, interview by Charles Stuart Kennedy, 18 April 1995, Association for Diplomatic Studies and Training (ADST) Foreign Affairs Oral History Project, <http://www.adst.org/OH%20TOCs/McCargar,%20James.toc.pdf>, pp. 87–89.

60. See Margaret M. Manchester, “Charlie Kersten’s War: A Catholic Crusader Goes to Congress,” Cold War History online (March 2020), DOI: 10-1080/14682745.2020.1724100. In addition to Project Bourbon, several other Anglo-American initiatives sought to assess Soviet intentions and capabilities. In a still heavily redacted analysis, Thomas Johnson details U.S. efforts to use high-altitude balloons and overflights of Soviet territory, a “dangerous approach to intelligence collection” that was augmented by occasional Royal Air Force overflights. Thomas R. Johnson, *American Cryptology during the Cold War, 1945–1989, Book I: The Struggles for Centralization, 1945–1960* (Ft. Meade, MD: Center for Cryptologic History, National Security Agency, 1995); “Chapter 4: The Soviet Problem,” Top Secret Copy, DocID 3188691, Records of the ACC-Hungary in RG 334, Interservice Agencies, Entry P-3, Box 52, Folder: 322/6 Documents 2&3, and Box 53: Folder 322/6: Documents 4&5, NARA, p. 179. During the early years of the Eisenhower administration, the CIA moved ahead with the construction of 30 high-altitude aircraft that could carry cameras capable of high-altitude photography. Until the first U-2 overflight on 7 April 1956, the Eisenhower administration continued to rely on balloons. See *ibid.*, p.180.

61. See Mark Stout, “The Alternate Central Intelligence Agency: John Grombach and the Pond,” in Christopher Moran et al., eds., *Spy Chiefs, Vol. 1, Intelligence Leaders in the United States and United Kingdom* (Washington, DC: Georgetown University Press, 2018). For McCargar as a Pimpernel figure, see Peter Grose, *Operation Rollback: America’s Secret War behind the Iron Curtain* (Boston: Houghton-Mifflin, 2000), p. 43. According to Grose, after the consolidation of Communist control was foiled in August 1947, “the central task for American intelligence operatives became the ‘clandestine removal’ of politicians threatened by the communists.” Grose argues these émigrés became the nucleus of a resistance movement that “kept the idea of Hungarian democracy alive abroad for the next nine

from the Army's G-2 intelligence unit, the Pond was established during the war as a "source of intelligence for the military independent of the civilian OSS."<sup>62</sup> The agency in Budapest was still in place even though OSS officers had left Europe. During McCargar's tenure in Budapest, he helped spirit out 74 prominent Hungarian politicians, including five scientists sought by U.S. Naval Intelligence. The Special Intelligence Branch, headed by Colonel John "Frenchie" Grombach, was tied in with the State Department for communication and "necessary cooperation," and, according to McCargar, the State Department secretly continued the program from 1947 to 1951, unbeknownst to the CIA, as "an adjunct to the Foreign Service."<sup>63</sup> A Pond agent even reported to Grombach on Vogeler's condition after Vogeler was arrested by the ÁVH, describing his "state of panic" and reporting that he had been questioned without interruption by fourteen police officers, with one session lasting 71 hours.<sup>64</sup>

The Pond spent most of its existence not as a government agency but as a private-sector organization, operating within real companies such as the Universal Service Corporation. Grombach placed special emphasis on commercial cover, of which the only one known thus far is N.V. Philips Gloeilampenfabrieken, a Dutch company that had subsidiaries all over the world, including behind the Iron Curtain.<sup>65</sup> McCargar, in an interview decades

years—that is, until the 1956 Hungarian revolution. When McCargar arrived to serve as chief of the political section at the U.S. legation in Budapest, he worked with an already established network of eight people, including one agent, "Eugene," who had "long represented a number of foreign firms, including American, in Hungary, and had resumed these connections after the war." See McCargar, *A Short Course*, p. 172. These agents provided information on the workings of the Hungarian cabinet, data about the Hungarian economy, and analyses of the means by which the Communists were bringing under their control the country's financial institutions, the country's foreign ministry, and the various political parties in the Hungarian parliament (pp. 170–171).

62. Grose, *Operation Rollback*, p. 42.

63. McCargar, *A Short Course*, p. 169. McCargar used an agent named "Guy" as one of the means of spiriting out top-level Hungarian politicians. He was authorized to do so by the Pond under the directorship of Grombach: "Guy former British agent . . . you may use him for stated purpose only provided you maintain your cover with him, and provided you're satisfied he's not working with British." See also "Their Man in Budapest: James McCargar and the 1947 Road to Freedom," *New Hungarian Quarterly*, Vol. 42, No. 161 (Spring 2001), pp. 38–62.

64. "N. Judson," Intelligence Report to John Grombach, the Pond, re: Details Concerning Vogeler's Trial," 25 March 1950, in RG 363, Records of the Central Intelligence Agency, The Grombach Organization ("The Pond"), Intelligence Reports, 1948–1955, Box 2, ARC ID 4509738, [N. Judson], NARA. "Judson" also reported that when Vogeler and Sanders were uncooperative, they appeared at the rehearsal of the show trial with "badly swollen legs." During this period, "Judson" also sent reports on Hungarian industrial production in 1949 (intelligence report dated 1 March 1950), information regarding the Soviet T-34 tank, and intelligence regarding Communist Hungarians who had been sent to spy in Western countries (intelligence report dated 28 March 1950).

65. Mark Stout, "The Pond: Running Agents for State, War and the CIA," *Studies in Intelligence*, Vol. 48, No. 3 (2007).

later, described an incident that happened with one of Grombach's associates. After leaving Budapest, McCargar had been assigned to the State Department Office of Policy Coordination (OPC) in Washington, the office responsible for coordinating U.S. psychological warfare. He got a call one day from one of Grombach's associates who lived in Washington. According to McCargar, this person set up a clandestine meeting during which he asked to see the ITT contract with the Hungarian government, which he returned a few days later. McCargar was outraged to discover that "Grombach made his living, not by the Pond, but primarily as a consultant to Phillips Eindhoven—the great post-war competitors in Europe of ITT." McCargar suddenly realized: "I'd been used."<sup>66</sup> This story reveals the extent of the cutthroat rivalry between international corporations seeking to do business, in this case in Hungary, and their connections to the intelligence community.

NSC Policy Paper 4 (NSC 4), adopted in December 1947, provided for the conduct of psychological warfare, a bureaucratic euphemism for covert action. The OPC was created under the auspices of the Department of State to run these operations, and Frank Wisner, a former OSS operative involved in Eastern Europe during World War II, was appointed director of the OPC. Within four years, his office had 2,812 full-time employees, established 47 overseas stations, and had 3,142 overseas personnel under contract.<sup>67</sup> Concurrent with the independent activities of the Pond and the OPC efforts directed by the State Department, the National Security Council issued a directive, NSC 10, on 10 June 1948 that authorized the CIA to initiate "covert operations," stipulating that "planning and preparation for the conduct of such ops in time of war shall be conducted by a new Office of Special Projects" under the auspices of the CIA.<sup>68</sup> The CIA director was responsible for informing appropriate U.S. agencies both at home and abroad (including diplomatic and military representatives) "of such operations which will directly affect them."<sup>69</sup> Plausible deniability was a key element of this planning—covert operations were defined as all activities "which are conducted or sponsored by this Government against hostile foreign states or groups or in support of friendly foreign states . . . but which are so planned and executed that any US Government responsibility for them is not evident to unauthorized persons and that

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66. McCargar, interview by Kennedy.

67. Grose, *Operation Rollback*, p. 114.

68. Proposed NSC Directive NSC 10, 10 June 1948, in HST-Staff Member and Office Files: NSC File Box 8/Chrono: 1948 (June–July), HSTL.

69. *Ibid.*

if uncovered the US Government can plausibly disclaim any responsibility for them.<sup>70</sup>

Originally proposed in the summer of 1948, the final draft of the plan for operations in Hungary was not approved by the NSC until 11 April 1950.<sup>71</sup> Applicable to this plan were sections of NSC 58/2, which stipulated “that the US should maintain as its objectives the development in Eastern Europe of non-communist governments.” To this end, the document specified:

As the most feasible course of action available at this time, the US should attempt by methods short of war, to disrupt the Soviet-satellites relationship and bring about the gradual reduction and eventual elimination of preponderant Soviet power and influence from Eastern Europe.<sup>72</sup>

The NSC called for the United States should do whatever it could, “particularly through covert operations and propaganda,” to keep alive anti-Communist sentiments, noting that to do less would be “to sacrifice the moral basis of US leadership of free peoples.”<sup>73</sup> The OPC plan for Hungary emphasized that if a diplomatic break were to occur between the United States and Hungary, the effectiveness of overt measures such as VOA, normal diplomatic measures, and economic measures would be diminished but that “there would be less embarrassment to the United States in the event an OPC operation was uncovered or compromised.”<sup>74</sup>

The objectives of OPC operations in Hungary were to develop indigenous nationwide opposition based on the Roman Catholic faith and the resistance of peasants to collectivization. The plan called for the development of an underground apparatus, economic warfare, a large-scale propaganda and

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70. Ibid. See also Manchester, “Charlie Kersten’s War,” pp. 7–11. According to Borhi and Grose, the OPC was created to organize psychological warfare operations and had almost 3,000 people on its payroll by 1952. The Pentagon contributed to the rollback strategy by training refugees from Eastern Europe for guerilla operations behind the Iron Curtain. See Borhi, *Hungary in the Cold War*, p. 271; and Grose, *Operation Rollback*, pp. 104–111. The Policy Planning Staff (PPS) initiated psychological operations in Central and Eastern Europe, including through VOA, efforts to prevent Communist electoral victories in France and Italy, and other actions described as “limited and amateurish.” These early successes convinced the PPS to embark on efforts to overthrow the pro-Kremlin regime in Albania. This resulted in at least five joint Anglo-American operations against Albania from 1949 to 1951. See Sarah-Jane Corke, “Bridging the Gap: Containment, Covert Action and the Search for the Missing Link in American Cold War Policy,” *The Journal of Strategic Studies*, Vol. 20, No. 4 (December 1997), p. 49.

71. Proposed NSC Directive NSC 10, 10 June 1948, p. 30.

72. Ibid.

73. Ibid.

74. CIA Historical Staff, *The Clandestine Service Historical Series, Hungary*, Vol. 2, *External Operations, 1946–1965*, MORI DocID 1020374, in National Security Archive, George Washington University, [http://nsarchive.gwu.edu/NSAEBB/NSAEBB206/CSHS\\_Hungary\\_Vol2.pdf](http://nsarchive.gwu.edu/NSAEBB/NSAEBB206/CSHS_Hungary_Vol2.pdf), pp. 30–31.

psychological warfare campaign, and the selection and training of small groups of Hungarian agents for the OPC. The document is heavily redacted, keeping the name of possible agents within Hungary, the size of the funds allocated, and the name of the OPC chief classified. Parallel to these efforts was continued support of the Hungarian National Committee (HNC). The plan recommended that underground members of the HNC be informed individually, with a more active role for the HNC anticipated once the initial (setup) stage was completed. The document lays out operational activities during a two-year period from September 1948 until September 1950, the same time as the Vogeler/Sanders case.<sup>75</sup> Psychological warfare activities included mailing chain letters from Switzerland to undermine confidence in the currency, to encourage peasants to hoard crops in response to predictions of hunger, and to encourage young Hungarians to leave the country. The CIA also launched an operation in which thousands of meteorological balloons dropped millions of leaflets and propaganda flyers over Hungary and other Iron Curtain countries encouraging resistance to the Soviet Union.<sup>76</sup> By this time, Vogeler had already been released; but Sanders remained incarcerated.

Sometime in 1951, a senior case officer for Hungarian operations arrived in Budapest to assess psychological warfare efforts directed at Hungary and to “establish bases for other types of operations directed against the country.”<sup>77</sup> A partly declassified CIA history of clandestine operations in Hungary reveals that plans at this point were already being drafted to establish a Hungarian Guard company, including the creation of a Hungarian labor service unit whose duties would have included guarding military supply depots. In the meantime, a paramilitary project (the name of which remains classified), designed to translate into action the various annexes of the Strategic Country Plan for Hungary, was submitted for approval in November 1951. As originally conceived, this plan would set up the nucleus of a Hungarian paramilitary organization, initially consisting of four to six Hungarians “but potentially capable of developing and directing the Hungarian resistance movement.”<sup>78</sup> Although the plan called for the covert operation to involve Hungarians, the “actual operations were to be under immediate American

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75. *Ibid.*, pp. 34–44.

76. See Manchester, “Charlie Kersten’s War,” pp. 10–13; and László Borhi, *Dealing with Dictators: The United States, Hungary, and East Central Europe, 1942–1989* (Bloomington, IN: Indiana University Press, 2016), pp. 99–101.

77. CIA Historical Staff, *The Clandestine Service Historical Series, Hungary*, Vol II, *External Operations, 1946–1965*, pp. 44–70.

78. *Ibid.*

direction.”<sup>79</sup> According to the CIA history, the project was still awaiting approval at the end of 1951.

The HNC was headed by an eight-member executive led by its president, Monsignor Béla Varga. The organization brought together representatives from all of the major anti-Soviet elements within the refugee political movement, whose membership reflected “considerable political differences.”<sup>80</sup> The CIA document provides heavily redacted accounts of failed or aborted missions into Hungary in the early 1950s. Some of the agents barely escaped to safety, reported being questioned by Soviet personnel, or were arrested by the ÁVH and had not been seen since.<sup>81</sup> According to the CIA account, large-scale training facilities for these covert operatives were originally approved for the period of 1 May to 31 October 1952 and then renewed through October 1953. Although the locations are classified, the report confirms that two outdoor sites were set up and “provided areas for agent training under [redacted] cover.”<sup>82</sup> Although the sites had proven to be useful, the project was terminated on 31 October 1953.<sup>83</sup> After the drastic reduction of operations, a small Hungarian Operations Unit remained, consisting of two full-time officers, six intelligence officers, and two typists. Their primary purpose was to provide early warning of Soviet and Hungarian preparations for aggressive military operations against the West. The CIA history notes that by 1953 the Hungarian border had become progressively more difficult to penetrate, surrounded by an extensive system of fences, mines, guards, and special documentation requirements at border crossings. Consequently, identifying and successfully recruiting qualified agents became more and more difficult. The redacted document concludes that the decision to cancel these operations was “in effect a recognition that CIA was coming to the end of the road in its attempts to mount illegal border-crossing operations into Hungary.”<sup>84</sup>

The British, like their U.S. counterparts, frequently used a business entity in Budapest—in their case, the British company Britanova—as a cover organization in addition to their other intelligence capabilities.<sup>85</sup> Grombach, the

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79. *Ibid.*, p. 46.

80. *Ibid.*

81. *Ibid.*, p. 68. Several other pages in the report are completely redacted or have been removed altogether.

82. *Ibid.*

83. *Ibid.*, p. 69.

84. *Ibid.*, p. 70.

85. Memorandum from John Grombach, re: British Secret Intelligence in Hungary and Balkans, 7 February 1945, in RG 263 Records of the Central Intelligence Agency, Grombach Organization (“the Pond”), Subject and Country Files, 1920–1963, Box 11, ARC ID 4509733, [Hungary], NARA.

head of the Pond, lists several British secret agents active in Hungary, including some assigned to the British legation in Budapest, such as a F. G. Redward, who served in the British political mission.<sup>86</sup> The Hungarians were aware of this practice because Sanders had testified to that effect at his trial.<sup>87</sup>

According to Vogeler's coerced testimony in Budapest, he had been spying for U.S. intelligence and ISEC since 1942.<sup>88</sup> In fact, Vogeler was not officially part of the U.S. intelligence service but was, at the very least, willing to facilitate and carry out espionage and other covert activities. Furthermore, many of the charges leveled against him by the Hungarian government contained a strong element of truth. Indeed, Vogeler admitted to many of the allegations. Hungarians who later reviewed the Standard case also carefully studied Vogeler's memoir, *I Was Stalin's Prisoner*, and concluded that Vogeler not only acknowledged his guilt but also incriminated several Hungarian citizens.<sup>89</sup> For example, from January 1947 to August 1949, Vogeler made 23 trips to Eastern Europe. In his memoir, he admits having visited Carlsbad, Czechoslovakia, near the Jachymov uranium mines and then providing "certain representatives of our government" what little information he could discover.<sup>90</sup> During these visits, Vogeler developed a friendly relationship with Eugene S. Karpe, the naval attaché at the U.S. legation in Bucharest. According to Vogeler's understanding, "[t]he task of a naval attaché is the same as that of an air or army attaché—namely, to obtain as much useful information as he can for the service he represents. Karpe was thus an intelligence officer who operated openly with the sufferance of the Rumanian government."<sup>91</sup> Vogeler "sympathized wholeheartedly" with Karpe's attempts to save the lives of Romanians,

86. Grombach lists several British secret agents who were active in Hungary, including Hungarian nationals such as George Pálóczy, who was the leader of a Hungarian action group in Allied territory, as well as British nationals such as "Mr. Redward," the press attaché at the British legation in Budapest for twenty years. *Ibid.*

87. Geiger, *Vogeler, Sanders és kémhátsai a törvényesség előtt* (Budapest: Állami Lapkiadó, 1950), pp. 89–95.

88. *Ibid.*, p. 114.

89. In their "Report on the Evaluation of the Standard Case," the reviewers point out that Vogeler affirmed that his handwritten admissions (and only those) were true. They cite pages 138–139 of Vogeler's memoir, *I Was Stalin's Prisoner*. Further, they point out that on p. 191 Vogeler basically admitted that he gave military officers in Austria information about the situation in Hungary, especially regarding the smuggling of human beings out of Eastern Europe. At the same time, the authors note that for the interrogators, "a szabotázs kimondásához elég volt . . . motivációként . . . némi ellenséges beállítottság" (hostile attitude was sufficient proof of sabotage): XIV/4/1: Folder 64-135/14/1970: Jelentés a Standard ügy értékeléséről [Report on the Evaluation of the Standard Case], p. 38, ÁBTL.

90. Vogeler, *I Was Stalin's Prisoner*, p. 69. Vogeler argues, "It is not espionage to pass along to your government any information you happen to acquire in the course of your travels, so long as your information is not illegally acquired."

91. *Ibid.*

especially those who worked for ITT, and together the two helped several employees of ITT's Romanian subsidiary escape to the West, including Adrian Nanu, his wife, and two Racotta brothers and their wives. "I helped them all financially and also put them in touch with an Austrian organization that spirited them across the Russian zone."<sup>92</sup>

This assistance also extended to Hungarian nationals. Two days after Vogeler's arrest, U.S. Minister Davis informed Secretary of State Dean Acheson that "we have some indications Vogeler was seeking information for another agency and may be involved in attempt [to help] Hungarian family escape country."<sup>93</sup> During this same period (from February 1949 to January 1951), the Pond was receiving regular reports from an agent known only as "M Anthony" regarding Soviet troop locations and movements in Hungary, the location of radio relay stations, the location of Hungarian military units and installations, the actions of Communist-inspired "partisan associations," maps of airfields in Hungary, and other kinds of intelligence provided by "usually reliable" Hungarian sources, including Hungarian military officers.<sup>94</sup>

A few months later, Davis again expressed doubts about Vogeler's innocence, questioning whether any official U.S. agency was implicated in the Vogeler case "beyond what we presently know."<sup>95</sup> Davis recalled his earlier fears that the Hungarians "may really have something on Vogeler."<sup>96</sup> Davis knew that Vogeler had "some connection with intelligence activities during the war" and that he had some "rather unconventional" contacts in Vienna.<sup>97</sup> Davis points out that intelligence officers in Vienna were displaying considerable interest in his case. He believed Vogeler to be both competent professionally and in a position to do "a little snooping; which may be of considerable

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92. *Ibid.*, pp. 65–69.

93. Telegram, Davis to Acheson, 21 November 1949, in RG 69, DOS Decimal File, 1945–1949, Box 1828364.1121 Vogeler, Robert A., NARA.

94. Telegram, Stockholm to DOS, re: Connection of Julie B. Smith with the Case of R. Vogeler and E. Sanders, 24 May 1950, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Hungary, USF Plane Incident to Vogeler Case #1, Box 2, Vogeler Case #6, NARA.

95. Memorandum, Fisher Howe, Special Assistant to Secretary of State, to Yost, EE, 10 February 1950, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Hungary, USAF Plane Incident to Vogeler Case #1, Box 2, Vogeler Case #2, NARA.

96. Davis to Llewellyn Thompson, Dept. Asst. Secretary, Office of European Affairs, 20 January 1950, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Hungary, USAF Plane Incident to Vogeler Case #1, Box 2, Vogeler Case #2.

97. *Ibid.*

interest” to the U.S. military.<sup>98</sup> Having received flat assurances that Vogeler was not acting for any U.S. agency, Davis wrote,

I went to bat on that basis. . . . However, the suspicion in my mind has never completely been allayed. I have the feeling that my own attachés are not completely frank with me and it follows that certain people in Washington and Vienna may not have been completely frank.<sup>99</sup>

These dormant suspicions were reawakened by Rakósi’s evident confidence that “he has the goods on Vogeler which even I will recognize.” Davis continued,

If these suspicions prove correct, and they show that he was acting from some of our people (perhaps on a voluntary basis or only freewheeling) after our insistence that he was not, it is going to be acutely embarrassing for us. I am frankly worried about it.<sup>100</sup>

Wallinger, the British envoy to Hungary, noted, “I have long taken the view that the American requests for the release of Vogeler were misguided and it seems to me that this Hungarian Note [regarding the case] takes considerable advantage of the polemical opportunities which this American action has provided.”<sup>101</sup> As an example, Wallinger cited an article in the MDP’s main newspaper, *Szabad nép*, concerning the “apparent eagerness” of the United States to get Vogeler out and to prevent a trial. According to the article, the U.S. anxiety justified the conclusion Hungarian authorities had drawn that Vogeler must be an important man. “Can it be surprising if we are of the opinion that we have made a good catch?”<sup>102</sup> Thus, paradoxically, U.S. and British efforts to secure the release of Vogeler and Sanders reinforced the Hungarians’ belief in their guilt.

After Vogeler’s arrest, trial, and conviction, the U.S. Department of State ordered its chief legal adviser to undertake a comprehensive investigation into every charge and allegation against Vogeler made by the Hungarian government. The charges against him had been itemized in a 190-page booklet put

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98. Ibid.

99. Ibid.

100. Ibid. A few days later, Secretary of State Acheson agreed with Davis’s belief that it was hopeless to secure Vogeler’s release prior to the trial. He instructed the legation to direct its efforts to secure a commutation of his sentence or expulsion after a probable conviction. See *FRUS*, 1950, Vol. IV: Central and Eastern Europe, the Soviet Union, pp. 982–983.

101. Handwritten minutes attached to Mr. Wallinger’s comments on the Hungarian reply to the American note of Jan 3rd and possible developments of the Sanders case, 11 January 1950, in FO 371/87814, TNAUK.

102. Ibid.

out in 1950 by the Hungarian State Publishing House under the title *Geiger, Vogeler, Sanders és kémtársai a törvényszék előtt* (Geiger, Vogeler, Sanders and Their Accomplices before the Criminal Court of Hungary), also known as the Hungarian White Book. Jule B. Smith, the former commercial attaché at the U.S. legation in Budapest, responded to queries by Samuel L. Klaus, the lead investigator. Smith detailed the dense social connections (dinners, rounds of golf, poker games at social clubs) between the accused and various members of the diplomatic and intelligence corps in Vienna and Budapest.<sup>103</sup> Vogeler and Sanders frequently socialized with Col. Kraft, the U.S. military attaché, whom Vogeler had known since his days in Vienna.<sup>104</sup>

Smith, who was himself connected with the Office of Defense Intelligence recounted in his deposition several instances in which he passed messages between Vogeler and Sanders with Lt. Col. John Hoyne and Kraft—both of whom were declared *persona non grata* after the trial. Later in his statement Smith noted that the assistant attaché asked Smith to arrange an appointment with Vogeler to discuss the manufacture in Hungary of various products by the Tungsram plant.<sup>105</sup> This meeting was held at Smith's residence, where they discussed the production and layout of the plant. According to Smith, Vogeler offered to discuss a plan of the plant with Imre Geiger, the plant manager, "who knew the plant better."<sup>106</sup> Smith also noted that the assistant air attaché and other military officers had "a few consultations" with Vogeler, again in Smith's office. Vogeler had informed Smith that Hoyne was transmitting messages for both him and Sanders. Smith warned Vogeler several times to leave Hungary or, at the least, not to go out unless accompanied by a diplomatic officer. Vogeler reassured him that Kraft had promised to see that he got out all right and that Smith should not worry because "all arrangements had been made."<sup>107</sup>

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103. A top secret telegram from the U.S. Air Force to the State Department, dated 12 December 1949, describes Smith as a "close friend of Vogeler." Declassified under FOIA(b)(3), DocID 31368238.

104. Telegram, Stockholm to DOS, 24 May 1950.

105. Vogeler's involvement with the Tungsram plant had also been verified by the State Department. See Telegram, Davis to Acheson, 19 February 1950, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Hungary, USAF Plane Incident to Vogeler Case #1, Box 2, Vogeler Case #2, NARA. An Air Intelligence Information Report dated 5 October 1949 identifies the electrical industry of Hungary as one of the most important and vulnerable targets in the country and singles out the Tungsram factory as the "most strategic point of this industry." Declassified on 16 June 2016 at my request, under FOIA(b)(3), DocID 31368468.

106. Telegram, Stockholm to DOS, 24 May 1950.

107. *Ibid.* These actions also figured prominently in the Hungarian government's case against Vogeler during the show trial. See *Geiger, Vogeler, Sanders és kémtársai a törvényszék előtt*, pp. 128–133.

When Klaus attempted to interview some of the former military officers implicated in the Vogeler case, the deputy director of G-2 sent an observer to the interrogation. Klaus was also informed that some of the information in the statements were considered secret or top secret and could not be published without clearance from the Army.<sup>108</sup> Later, West European intelligence sources reported on the efforts of Vogeler's wife to secure her husband's release, including offering bribes to Hungarian officials and members of the MDP that resulted in "severe tension" and heightened internal security measures because of the "considerable fear" that some official might succumb to the temptation of the extraordinary sums being offered.<sup>109</sup> According to these West European intelligence services, "it may still be possible to effect the release of Robert Vogeler clandestinely at some time in the future, provided Mrs. Vogeler is restrained and the tension decreases to the point where a serious effort can be undertaken."<sup>110</sup>

Vogeler was eventually released after seventeen months imprisonment without any clandestine intervention. Although Vogeler's name does not appear in President Harry S. Truman's appointment calendar, the president had an off-the-record meeting with Vogeler. That Truman preferred not to meet publicly with Vogeler—a prominent business executive whose ordeal behind the Iron Curtain received much national and international attention—is itself curious.<sup>111</sup> Vogeler acknowledged that some of his actions while in Eastern

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108. MemCon, Col. E. G. Nichols and Samuel Klaus, L re: Vogeler Case, 11 May 1950, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Hungary, USAF Plane Incident to Vogeler Case #1, Box 2, Vogeler Case #6, NARA. Klaus's interrogation of the army officers, including Col. Bixel, related to their connection to Vogeler. Klaus was informed that Col. Bixel's statement was to be considered "SECRET" and some of it "TOP SECRET" and thus could not be published without prior clearance of the Army. See also Telegram, Jule B. Smith, AM Leg in Stockholm to DOS, re: Connection of Jule B. Smith with Case of R. Vogeler and E. Sanders, 19 June 1950, in Vogeler Case #1, Box 2, Vogeler Case #7, NARA.

109. W. G. Wyman, Assistant Director, to Acheson, top secret, re: Comments on Attempts to Release Robert Vogeler, 13 March 1951, in RG 59, General Records of the DOS, Office of the Legal Advisor, Records Re Claims with Hungary, 1956–1968, Vogeler Case, Box 5, Vogeler Case 1 of 2, NARA.

110. *Ibid.*

111. Matthew J. Connelly, Secretary to the President, to Robert A. Vogeler, 29 May 1951. An earlier letter, dated 25 May 1951, states, "we feel that it would be best to keep your appointment 'off the record', and I am sure you will agree." Vogeler's name does not appear on the president's daily appointment sheet. In a letter to Matthew Connelly dated 22 May 1951, Vogeler (then in Bethesda Naval Hospital) asked to meet with Truman to express his personal appreciation for all the president had done to gain Vogeler's release. (Handwritten at the bottom of Vogeler's letter: "Matt: Guess we can let him in. HST.") I thank Randy Sowell, one of the archivists at the HSTL, for his invaluable assistance in tracking down this information.

Europe were morally suspect or possibly illegal. For example, in an interview ten hours after his release, Vogeler stated that, “like all confessions, some of it was true.”<sup>112</sup> During a series of interviews conducted by State Department officials, Vogeler asked whether any serious accusations had been made against him from the point of view of conduct or morals, “or shall we say, the legalities that may have been committed,” indicating his awareness of different sources of confidential information, “through CIA or other groups.”<sup>113</sup> He also acknowledged that some of the accusations may have been “founded on half-truths and may still leave a bad impression with some of the officials here and [in] other agencies or intelligence organizations.”<sup>114</sup> According to Vogeler, the instructions he received prior to arriving in Vienna were

to maintain contact with New York advising them on the condition of the plant and the people, to cooperate with the Army—that is, in the communications system of the country and cooperate with the Americans, with the Legation, and with any American agencies that are established there, and help the Austrian economy as much as I could.<sup>115</sup>

This lends credence to the charge in the Hungarian White Book that Vogeler, as head of all Standard operations in Eastern Europe, had served “at the disposal of U.S. military intelligence in Vienna.”<sup>116</sup> The U.S. legation recognized that Hungarian Communists had become increasingly “spy conscious,” and the cases of Vogeler and Sanders fueled the Hungarian regime’s concerns.<sup>117</sup>

## The “Peccadilloes” of Edgar Sanders

Sanders was more directly involved in covert activities of the UK government. Sanders served in the Intelligence Corps of the Royal Army during World

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112. “Vogeler to Enter US Hospital Today: Question of How Much of His Confession Was True Is Left Unanswered Here,” *The New York Times*, 3 May 1951, p. 19.

113. Top secret transcript of interview with Robert A. Vogeler, with Klaus, McKisson, and Higgs, 21 May 1951, p. 3, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Hungary, USAF Plane Incident to Vogeler Case #1, Box 3, Vogeler Interviews (2 of 2), NARA.

114. Ibid.

115. See Interview, 22 May 1951, p. 24, in RG 59, General Records of the DOS, Bureau of European Affairs, Office of Eastern European Affairs, Records Relating to Hungarian Affairs, 1949–1963, Hungary, USAF Plane Incident to Vogeler Case #1, Box 3, Vogeler Interviews (2 of 2), NARA.

116. *Geiger, Vogeler, Sanders és kémtársai a törvényszék előtt*, p. 13.

117. Telegram, Davis to Acheson, 19 February 1950.

War II. In 1946, he was a member of the Allied Control Commission in Hungary, where his responsibilities included tracking Soviet and Hungarian troop movements.<sup>118</sup> Sanders continued to serve in that capacity until the end of 1948, even though he was ostensibly employed by Standard Electric as comptroller.<sup>119</sup> Born in St. Petersburg, Russia, where his father had been a British consular official, Sanders spoke excellent German and Russian, as well as some Hungarian. His brother, Alexander Sanders, was a naturalized U.S. citizen who worked in Berlin for Standard Elektrizitätsgesellschaft, another ITT subsidiary. Sanders's sister was employed by the Naval Intelligence Division of the UK Admiralty.<sup>120</sup>

According to one account, Sanders was asked by the UK War Office to return to intelligence, sent by Behn to run the ITT factory, instructed to report to military contacts in the British legation, and to try to isolate Hungary from the rest of the Communist world.<sup>121</sup> Both Vogeler and Sanders had frequent contact with Lt. Col. Hoyne and Col. Kraft, military attachés at the U.S. legation. Smith, in his 24 May 1950 telegram to the U.S. Department of State, reviewed the official testimony, affirming his role in helping Sanders contact Hoyne. In the hours before Sanders was arrested, he stopped at the U.S. legation and went from there to the British legation. Smith, the former commercial attaché, also described efforts to protect Sanders, who paid a surprise visit to Smith's office on 21 November 1949. Sanders reported that the security police had come to the office of Standard Budapest, arrested a Hungarian employee, taken all the records, and sealed the doors. Sanders did not yet know about Vogeler's arrest. Smith took Sanders to see Davis and called Kraft. According to Smith, members of the U.S. legation repeatedly warned Sanders that he should see the British chief of mission or British Commercial Attaché Edward Southby and that, "furthermore, he must eat and sleep in the legation until the release of Mr. Vogeler."<sup>122</sup> (Southby was declared

118. Geiger, *Vogeler, Sanders és kémtársai a törvénytörés előtt*, p. 90.

119. Éva Figder, "Edgar Sanders: A British Spy behind the Iron Curtain," in László Péter and Martyn C. Rady, eds., *British-Hungarian Relations since 1848* (London: Hungarian Cultural Center, University College, 2004), p. 284. As the title indicates, Figder argues Sanders was actively spying in Hungary. Gábor Bátonyi, in contrast, notes that the Hungarians believed ITT to be a cover organization for the CIA, but he concludes that whether Sanders was spying for the CIA under the cover of ITT was a moot point. See Bátonyi, "Diplomacy by Show Trial," p. 702.

120. Southern Department to Information Officer, Budapest, re: two newspaper articles regarding Edgar Sanders, 10 January 1950, in FO 371/87814/9, TNAUK.

121. Sampson, *The Sovereign State of ITT*, p. 52.

122. Telegram, Stockholm to DOS, 24 May 1950.

persona non grata by the Hungarians after the trial, as was the assistant military attaché, Lt. Col. Capron.)<sup>123</sup>

When two newspaper articles regarding Sanders provided information about his wartime intelligence service, the Foreign Office was dismayed. In a handwritten minute, one analyst wrote: "The publication of this information will not only have made SANDERS' position more difficult but tends to undermine our efforts to secure his release."<sup>124</sup> A memorandum to the British information officer in Budapest expresses dismay at the reporting in London's *Daily Telegraph* and concludes: "The Hungarian Government can now say that they have the evidence of our own press that he was an Intelligence Officer."<sup>125</sup> The Foreign Office blamed the press association for damaging disclosures and noted they had been urged to avoid statements of a kind "likely to endanger the lives of British subjects."<sup>126</sup> Some in the Foreign Office later speculated that Sanders was probably guilty of the charges. One analyst at the FCO's Southern Europe desk noted, "It is, I think, fairly clear by now that the main reason for Sanders' arrest was his work for American intelligence, and that his peccadilloes on our behalf would not, of themselves, have landed him in his present predicament."<sup>127</sup> The analysis does not specify what "peccadilloes" Sanders might have committed on behalf of the British government.

Sanders's arrest, trial, and incarceration came up at many cabinet-level discussions in subsequent years. At one point in February 1953, the members of the cabinet considered a possible prisoner exchange of Sanders for a Chinese Communist who had been sentenced to death in Malaya, but ultimately they rejected the idea on the grounds that a swap would be "disreputable and in no relation to any conception of justice."<sup>128</sup> Foreign Secretary Anthony Eden told his cabinet colleagues that the economic sanctions imposed on Hungary in retaliation for Sanders's arrest were having an impact on the

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123. As early as February 1950, Wallinger predicted that Southby would be the "likely candidate for the shower of mud." Wallinger to Sir Anthony Rumbold, 1 February 1950, in FO 371/87814, TNAUK.

124. Southern Department to Information Officer, Budapest, 10 January 1950.

125. *Ibid.*

126. *Ibid.* According to Hungarian historian Attila Szörényi, Sanders "was a drunk who spent most of his time in bars and night clubs. Embassy personnel did not trust him very much." Attila Szörényi, email to author, 20 March 2016.

127. Telegram, Wallinger to the Foreign Office, 24 February 1950, in FO 371/87816, TNAUK. For an opposing view, see Bányai, "Diplomacy by Show Trial," pp. 702–705.

128. Minutes of Cabinet Meeting, 24 February 1953, in Cabinet (CAB) 195/11/22, Notebook 24 Feb 1953, TNAUK.

Hungarian economy, but he said he was doubtful that anything other than a prisoner exchange could be done to secure the release of Sanders without some “countervailing concession.”<sup>129</sup> In a memorandum the next day, Eden noted that Hungarian officials had hinted they might be willing to release Sanders in return for access to raw materials, such as copper. “We could not allow strategic raw materials to pass behind the Iron Curtain, even to save a man’s life.”<sup>130</sup>

Joseph Stalin’s death on 5 March 1953 and the subsequent changes in the Soviet Union ignited renewed hope for Sanders’s release. The UK Foreign Office authorized a direct approach to Moscow. At a meeting on 25 June 1953 between Lord Reading, the president of the UK Board of Trade, and the economic secretary of the UK Treasury, they agreed they should approach the Soviet Union to obtain the release of Sanders, and the decision was conveyed to the British *chargé d’affaires* in Budapest, who asked, in view of recent changes in the Hungarian government and the possibility of an amnesty, that he be allowed to raise the matter with the new minister of foreign affairs, János Boldóczki.<sup>131</sup> Ultimately, the “Khrushchev Thaw” and hopes for renewed trade talks prompted the Hungarians to pardon and release Sanders, a fact that was announced on Budapest Radio on 17 August 1953.<sup>132</sup>

Sanders was released at the Austrian border and picked up by Andrew Stark, the political officer assigned to the British legation in Vienna. Stark briefed Sanders during their two-hour car ride to Vienna on how to respond to questions from journalists who were waiting at the Park Hotel in Vienna for a televised interview. In his report on the circumstances of Sanders’s release, G. G. Simpson, first secretary of the UK’s Vienna legation, highlighted two points of the conversation. First, he tried to prepare Sanders for the eventuality that the journalists would be most interested in the confession he made

129. Conclusions to Cabinet Meeting, 24 February 1953, in CAB 128/26/14, TNAUK.

130. Memorandum re: Sanders/Lee Meng Exchange, prepared by Anthony Eden, 25 February 1953, in CAB 129/59/25, TNAUK.

131. Minutes of Meeting Cabinet Meeting, 18 August 1953, in FO 371/106282/1052/196, TNAUK.

132. Telegram No. 292, GP LaBouchiere to Sir P. Dixon (Northern Department), 18 August 1953, in FO 371/106283/1052/208 & 211, TNAUK. See also telegram 296, in which LaBouchiere notes, in the communiqué announcing the decision, that the Presidential Council in Hungary had responded to Mrs. Sanders’s petition and had made use of a constitutional clause (Article 20, Clause 1, Subsection J) that gave the Presidential Council the right to exercise the prerogative of mercy. Telegram No. 296, LaBouchiere to Salisbury, re: Announcement of the Cancellation of the Remainder of Sanders Sentence and his Expulsion from Hungary, in FO 477/7/1, TNAUK. See also Handwritten note, 18 August 1953, in FO371/106282/1052/203, TNAUK: “Last night’s announcement [on] Budapest Radio that Mr. Sanders has been pardoned, for which happy event, Mr. Hohler, who has been indefatigable on Mrs. Sander’s behalf, must take a substantial share of credit.”

during the trial, particularly if he insisted that he had been well-treated by the Hungarians. This appeared to surprise Sanders, who said he was unaware that his confession would be of any public interest.

His immediate reaction was to say that as Vogeler in his testimony had said the information which Sanders gave him was passed to the American Military Attaché in Budapest, who had appreciation of its value, he really thought that there was no point in denying this, and especially as he had been offered a more favorable sentence in return for cooperation.<sup>133</sup>

Simpson suggested that it would be “wiser and more discreet” if Sanders did not use that particular argument. At no time during the press conference, or in the future, Simpson stressed, “should he give the Hungarians any grounds for claiming that they were justified in taking the action against him which they did.”<sup>134</sup> Simpson claims that Sanders “saw the point” of concentrating on the mental or psychological treatment that contributed to the frame of mind in which he signed his confession of espionage.<sup>135</sup> During the subsequent press interview, Sanders revealed that he had been interrogated almost continually, once without stop for 34 hours straight. The Associated Press reporter asked, “Would you say that you suffered?” Sanders responded, “Well, yes.”<sup>136</sup> After the interview, Sir Harold Caccia, the British ambassador to Austria, noted, “Sanders said nothing which could embarrass HMG [Her Majesty’s Government] or offer assistance to any Hungarian or other Communist propagandists.”<sup>137</sup> The head of the FCO’s Northern Department, Henry A. F. Hohler, met with Sanders at the Foreign Office and praised him for “the balanced nature of his statements to the press which had been just right.”<sup>138</sup> Sanders credited Stark, who had “briefed him most carefully and held his hand at the conference.”<sup>139</sup> In a later debriefing, Sanders said “he had been much embarrassed during his interrogation by the extent and accuracy of the information which the Hungarians possessed about what went on in the Military

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133. Report prepared by G. G. Simpson, attached to HAF Hohler, FO to LaBouchiere, Budapest, 22 August 1953, in FO 371/106283/1052/214, TNAUK.

134. *Ibid.*

135. *Ibid.*

136. *Ibid.*

137. Sir H. Caccia, Vienna embassy, to Marquis of Salisbury, 20 August 1953, in FO 371/106283/1052/213, TNAUK.

138. HAF Hohler, FO, to LaBouchiere, Budapest, 22 August 1953, in FO 371/106283/1052/214, TNAUK.

139. *Ibid.*

Mission and the Legation.”<sup>140</sup> In late August 1953, the *Daily Herald* in London published an exclusive series titled, “‘Why I Confessed’: Edgar Sanders’ Own Amazing Story.” The articles focused on the “remorseless questioning” and the relentless tactics of the ÁVH, including long spells in solitary confinement.<sup>141</sup> Yet, despite Sanders’s assertions to the contrary, the evidence indicates that he was indeed guilty of espionage.

In 1969, three high-level officers in the ÁVH were assigned to review the files relating to the show trials of the 1950s, including the Standard Electric case.<sup>142</sup> After examining the records, the officers concluded that the first interrogations of the suspects revealed the most factual information. They found that sometime after 20 November 1949 the suspects began to admit to facts dictated by the secret police, then under the direction of Péter Gábor. Suppositions were treated as facts at the trial, the reviewers noted, and even though some of the defendants admitted to the facts, this did not necessarily mean they were actually guilty of spying. Of the 24 Hungarian defendants in the Standard case, two had been condemned to death, and the others had received prison sentences. Three died while in prison, and one committed suicide after being released. Of those serving prison time, eleven were later exonerated, and eight were released early.<sup>143</sup> In the case of Vogeler and Sanders, however, the reviewers concluded that they were actually guilty of using “dark intelligence” methods to spy.<sup>144</sup> At the same time, the reviewers acknowledged that Vogeler and Sanders were anti-Communist and anti-Soviet and that Geiger and some of the other accused Hungarians were oriented toward the West, a fact that was sufficient to ascribe a hostile political motivation to their actions. At the time of the arrests, the ÁVH interrogators had not distinguished

140. Minutes by HAF Hohler, re: Mr. Edgar Sanders, n.d., in FO 371/106283/1052/217, TNAUK.

141. “‘Why I ‘Confessed’: Edgar Sanders Own Amazing Story,” 31 August 1953, *The Daily Herald*, London, p.1.

142. The ÁVH officers were Dr. Horváth István, Dr. Benedek Endre, and Ács Ferenc. Information about Horváth’s career at ÁVH can be viewed at [https://www.abtl.hu/ords/archontologia/?p=108:5:2600003037731468::NO::P5\\_PRS\\_ID:1033424](https://www.abtl.hu/ords/archontologia/?p=108:5:2600003037731468::NO::P5_PRS_ID:1033424). Ács’s rank was colonel, and information about his career can be viewed at [https://www.abtl.hu/ords/archontologia/?p=108:5::NO::P5\\_PRS\\_ID:718232](https://www.abtl.hu/ords/archontologia/?p=108:5::NO::P5_PRS_ID:718232). Benedek’s rank was major. See XIV/4/1: Folder 64-135/14/1970: A Standard—ügy értékeléséhez: kiegészítő operatív jelentés. The report also notes that, as early as 1948, the Gazdasági Rendőrség (Economic Police) suspected the firm of sabotage and began legal proceedings. The security police registered the activities of the firm. An agent named Károly Vass had already submitted 50 reports about Sanders and Vogeler’s activities. Ibid.

143. Kimutatás a Standard ügyben szereplő személyekről [Report on the Individuals Involved in the Standard Case], in XIV/4/1, Folder 64-135/14/1970, ÁBTL.

144. Jelentés a standard eset értékeléséről [Report on the Evaluation of the Standard Case], in XIV/4/1, Folder 64-135/14/1970, ÁBTL.

between a breach of secrecy protocols and intentional spying. The report also concludes that the punishment for Vogeler and Sanders was commensurate with the severity of their crimes, even if they were released before they served their full sentences. Their release, the report notes, was a political decision, not a legal one.

## Conclusions

The Vogeler/Sanders case was a high-profile drama that played out on the international stage. It profoundly disrupted U.S. and UK diplomatic relations with Hungary for years to come. A review of the events leading up to the arrests of Vogeler and Sanders reveals that Western business executives were able to craft agreements with the Hungarians, both with and without the active cooperation of the UK Foreign Office and the U.S. State Department. They often competed with one another for the limited business opportunities available after the Iron Curtain dropped. As a result of World War II, the executives of Western multinational corporations (often former military officers themselves) had extensive contacts with their government's military and intelligence communities, and these ties continued into the early years of the Cold War, particularly in places like Hungary where the Soviet occupation made intelligence-gathering more and more difficult. Vogeler and Sanders cooperated with Western agencies in gathering intelligence about economic and military matters within Hungary. They also cooperated with intelligence organizations, particularly the U.S. Army's G-2 intelligence staff in Vienna in spirited to safety East Europeans who were at risk of arrest by their Communist governments, actions that in the Stalinist era reinforced the Hungarian Communist regime's claims about hostile intent on the part of the Western allies.

U.S. and British diplomats experienced deep frustration at the limits of their ability to influence the course of events in the Soviet sphere. The arrest, trial, and imprisonment of Vogeler and Sanders is a case in which all of the aforementioned themes converged. The Hungarian Communists under Rakósi were politically motivated in their actions, but they were also responding to real threats to Communist rule in Hungary. The responses of Western governments to the arrests cannot be fully appreciated without taking into account the intelligence operations under way in Hungary.

Historians such as László Borhi, Charles Gati, John Prados, and others have argued that Soviet actions in crushing the Hungarian revolution of 1956 revealed the ineffectiveness of British and U.S. covert operations behind the

Iron Curtain.<sup>145</sup> The Vogeler/Sanders case clearly revealed the limits of British and U.S. policies years before the outbreak of the events of 1956. Further, in the case of the United States, the perceived failure of the State Department to secure the release of a U.S. business executive and to protect U.S. assets in Hungary inflamed critics of the Truman administration and undermined confidence in U.S. policies vis-à-vis the Soviet bloc.

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145. John Prados details CIA and British Secret Intelligence Service cooperation in aiding resistance movements in the Baltics, an effort that continued into the early 1950s and involved launching operations from western Germany while training was carried out in both England and the United States. Prados concludes that the policy of rollback and liberation was “broken on the Hungarian anvil” when the two allies failed to respond effectively to the outbreak of the revolution in October 1956. See John Prados, *Presidents' Secret Wars: CIA and Pentagon Covert Operations since World War II* (New York: William Morrow, 1986), pp. 40–42, 125. See also Borhi *Hungary in the Cold War 1945–1956*; Charles Gati, *Failed Illusions: Moscow, Washington, Budapest, and the 1956 Hungarian Revolt* (Washington, DC: Woodrow Wilson Center Press, 2006); and Borhi, *Dealing with Dictators*.