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The President
The White House

Dear Mr. President:

It is my duty and pleasure to submit herewith a brief report covering the major activities of the Central Intelligence Agency from October 1950 when you appointed me as Director of Central Intelligence to the present.

The initial task was the reorganization of the Central Intelligence Agency in accordance with the recommendations of the National Security Council of 7 July 1949 approving NSC 50. This has been accomplished in all substantial respects. There is attached, marked TAB A, a chart of the organization of the Central Intelligence Agency as of October 1950 and an organization chart as of the present date.

The second principal accomplishment has been the establishment of an Office of National Estimates to produce intelligence estimates of national concern, both in crisis situations and on a long-term basis. In its operations, this Office utilizes the resources of the total US intelligence community. You are acquainted with the production of the Estimates Office but for ready reference there is attached, marked

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TAB B, a list of the National Intelligence Estimates which have been prepared this year.

To provide you and the responsible policy officers of Government with all-source intelligence on a current basis, we also established during this year an Office of Current Intelligence, with whose publications you are acquainted.

To provide coordinated intelligence primarily on economic matters as a service of common concern to all interested Government agencies, we also established during this period the Office of Research and Reports. Although accurate appraisal of an enemy's economic potential is a most important factor in estimating his military capabilities, this crucially important task had been previously scattered among 24 separate agencies of Government. The Central Intelligence Agency has now established an Interdepartmental Economic Intelligence Committee, chaired by the Agency's Assistant Director for Research and Reports. His Office is now the clearing house for study and analysis of the economy of the Soviet Orbit and for exploring and filling the gaps that developed in the previously unrelated system of collection.

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In cooperation with the Department of Defense, we have also established the Interdepartmental Watch Committee to provide constant and periodic review of indications of possible enemy action. The Central Intelligence Agency also maintains an "all-source" watch in behalf of the Agency. Reference will be made below to the limitations of this procedure.

In reorganizing the Agency, progress has been made in uprooting the traditional preference for military personnel in key executive positions. All Deputies, all eleven office chiefs and all members of the Director's Staff are civilians. There is no longer a military ceiling on career aspirations within the Agency.

There have been five MOC papers during this period requiring special services of the Central Intelligence Agency:

- 1 & 2. The two most important of such papers charge the Central Intelligence Agency with responsibilities in a field not contemplated in the organic act under which the Agency is established; namely, with respect

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to guerrilla warfare and cold war covert activities.

We have accepted these responsibilities as agents for the Departments of State and Defense on projects which are subject to the approval of the Psychological

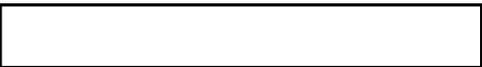
Strategy Board. The Departments of State and Defense

are charged with the duty of providing the Central

Intelligence Agency with the necessary support to

accomplish these missions. The projected scope of

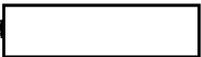
such activities will require a



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the next two years of the clandestine operations of this

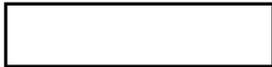
Agency and will require next year a budget



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required for our intelligence activities.



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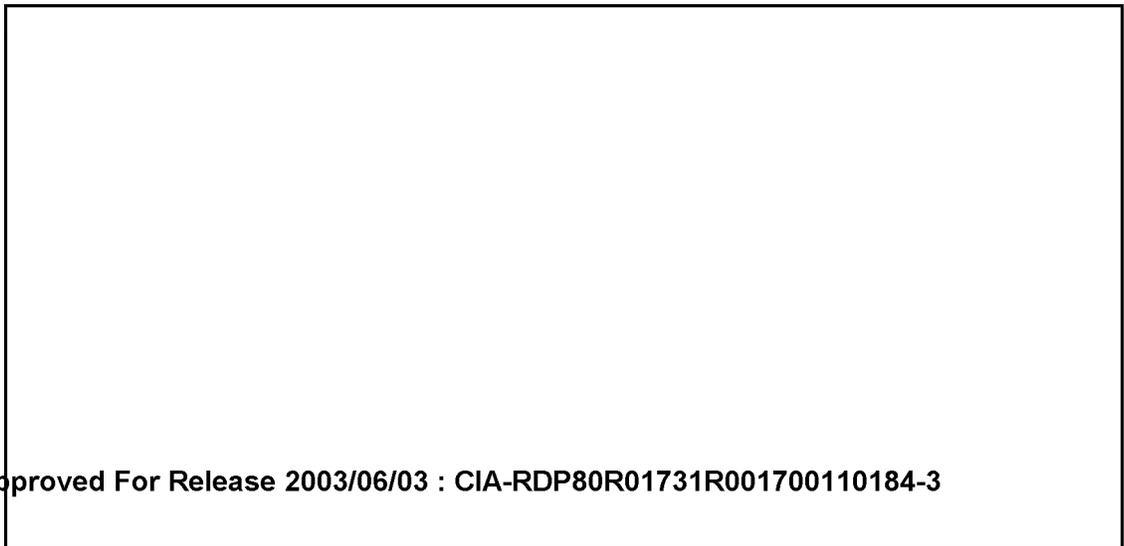


of war. We are, of course, willing and able, given the necessary support, to fulfill these requirements; but since they will triple or quadruple our normal intelligence budget, it should be noted that they are not functions essential to the performance by a central intelligence agency of its intelligence responsibilities.

I must also record that the above functions, reserved by the Central Intelligence Agency because there is no other government which can undertake them, in my opinion militate against the performance by this Agency of its primary intelligence functions and may compromise its security.

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4. A fourth paper of the NSC, NSC 66/1, requested the Central Intelligence Agency to provide intelligence support for the Voice of America with respect to Soviet jamming. This is being done, but the establishment of an additional monitoring facility to locate Soviet jamming stations, requested by NSC 66/1 of Armed Forces Security Agency has not been performed, due to budget limitations of Armed Forces Security Agency.

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Inasmuch as the primary concern of the past year has been the reorganization of the Agency and the creation of means for providing National Intelligence Estimates, there remain many unsolved problems. Some of these problems are relatively minor. For example, it is



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inconvenient, insecure, expensive and inefficient to operate, as well as, scattered through 28 buildings in the Washington area. One year ago, the Agency appealed to the Bureau of the Budget to locate it under a single safe roof. When the Bureau reported that no structure could be found, it supported the Agency in its request for funds for new construction. But although the 92nd Congress authorized \$30,000,000 for this construction, the necessary appropriations legislation failed in the House. A tentative site has been selected in downtown Washington and working drawings are underway. When Congress reconvenes this session, the Agency will resubmit its request for funds for this much needed structure. Your support and assistance with the Congress may be necessary and would be appreciated.

Other problems are more basic. No constructive purpose would be served by a complete recital, but two examples relating to matters in which you have evidenced interest are of particular concern as they relate to important sources of raw intelligence:



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1. Communications intercepts.

This is a responsibility of the Armed Forces Security Agency. You have directed a survey, which has just been commenced by an independent committee appointed by the Secretaries of State and Defense, to determine what, if any, organizational changes might improve the security and productivity of this service.



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(It should be noted that the care and rehabilitation of escapees and refugees, as distinguished from high level defectors, are not and should not be a Central Intelligence Agency responsibility, although we do exploit such persons for intelligence purposes to the extent that our manpower permits.)

You are acquainted with these problems and with our other primary sources of raw intelligence. Although we are asserting every effort to implement such sources, candor compels me to state that they are expensive, inefficient and, in my opinion, relatively unproductive. I do not believe that this Agency or any instrument which the United States is capable of providing can produce the kind of intelligence, in view of the nature of the Soviet system, which the country should have. In the light of these inherent limitations, I must point out that despite the utmost vigilance, despite watch committees and other mechanics for the prompt evaluation and transmission of intelligence, it is not possible to give

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you the assurance that, in the event of sudden undeclared hostilities, satisfactory advance warning can be provided.

The fact that we have serious limitations, as well as many unsolved problems, should not be discouraging, however, and there is much that is encouraging. Particularly, it is a pleasure to report that the climate within the Government intelligence community has improved considerably during the past year. Cooperation among Central Intelligence Agency, State Department and Defense Department units, while not perfect, has greatly improved. The least progress in coordinating activities of the Intelligence Advisory Agencies has been made in certain fields of scientific and technical intelligence. A survey has been initiated which, it is hoped, may point out the reasons for, and the proper steps for the improvement of, this particular situation. In substantially all other fields, however, the relationship among Intelligence Advisory Committee Agencies and the interest and cooperation shown by IAC representatives has been increasingly satisfactory. There is still some

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duplication, which is not necessarily a bad thing, of intelligence collection activities among IIS Agencies, but there is a growing understanding of the value of central coordination of all government intelligence activities.

The assurance of your confidence and support has been a constant source of strength to me in facing the duties to which you have assigned me as well as a deep source of personal satisfaction.

Respectfully yours,

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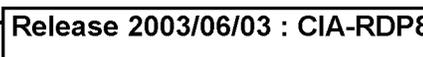
Suggested Letter from the Director
to the President

Allow me to report informally at this time upon the Central Intelligence Agency during the past year. So much has happened that there can be only brief references to the most important matters. The year has been one of expansion requiring greatly increased personnel. The particular types of persons desired are not easy to find and much energy has been expended in recruitment. This has been on the whole satisfactory, but the Agency is still below strength in important places. We are making continuous effort to overcome this difficulty, particularly in obtaining linguists, scientists, and covert personnel.

When I became Director in October, 1950, it seemed to me that the Agency was not fulfilling its most important function. This is the production of national intelligence estimates by the best authorities available for use by the policy makers and planners on the highest level. I therefore created the Office of National Estimates in November, 1950, for that sole purpose. It works in close collaboration with the SAC agencies. Their contributions are supplemented by intelligence collection within the Agency. The resulting national estimates are the end-product of intelligence.

At the same time other functions of the old Office of Reports and Estimates were assigned to the new Office of Research and Reports. The chief duty of ORR is to coordinate intelligence from every source upon the economy of the USSR, its Satellites, and Orbit, including Communist China. In 1950, ORR completed a survey of the Government's

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requirements of foreign economic intelligence and discovered that 24 agencies were in the business of collecting and analyzing such material, but that no single agency was responsible for assessing the relevance of the data to the problems of national security. To rectify this situation, the Economic Intelligence Committee representing the Departments of State, Army, Navy, and Air was created with the Head of ORR as chairman. The Office is preparing major problems on the economy of the Soviet Orbit for the Committee.

No problem relates more closely to correct estimation of an enemy's capabilities than his economic potential. This involves the collection and processing of raw intelligence and the expansion of the search for data over a far greater range of material than has previously been considered cogent. Analytical research of such volume requires the application of techniques not hitherto fully employed. It calls for the use of the method of successive approximations. We know that the Soviet Union is at least capable of certain minimum actions; we can set ceilings for what it is at most capable of doing. The task is to bring the "at least" and the "at most" closer and closer together. Repeated cycles of review and examination, planning, and several months' of production followed by another review in the light both of progress and of changes in the character of the problems involved will bring us much closer to accurate knowledge of Soviet capabilities.

ORR offers also comprehensive service in geographic intelligence to the IAC agencies and to other offices within CIA. And intelligence is given support/to other agencies through membership on inter-agency committees, notably the Special Committee on East-West Trade of the National Security Council making recommendations under the Ken amendment.

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The Office of Current Intelligence, another outgrowth from ORR
 assembles its "facts" from Communications or Special Intelligence
 and from Collateral Intelligence which is the "take" of all agencies
 with intelligence functions in all fields except the interception of
 communications. The word "facts" of necessity covers the whole range
 from truth to rumor. OGI produces on a considerable scale intelligence
 bulletins of varying degrees of immediacy and restriction. It supplies,
 for the Watch Committee of the IAC, the indications of those Soviet
 reactions which may give an inkling of Soviet intent. Its third
 activity, the "hypothesis system" of evaluating intelligence, is closely
 affiliated. This is an experimental attempt to forecast Soviet actions
 within a narrow range of alternatives, by projecting trends which have
 been observed in the past. A twenty-four hour watch is maintained to
 keep significant changes posted up to the minute in the Situation Room.

OSI

Among the older offices, the Office of Scientific Intelligence
 has still to become fully adjusted in the reorganization of the Agency.
 OSI has ~~many~~ contacts with scientific and technological experts in
 universities and elsewhere in the Government, and it works in coordination
 with ONE and ORR within the Agency.

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 Other accomplishments

The chief problems of OSI remain: the lack of proper coordination
 with other agencies concerned in scientific intelligence and the
 indecisiveness of the scientific estimating, the difficulty of retaining
 the services of expert consultants for the moment when the need is
 imperative, and the necessity of keeping scientific personnel in the field.

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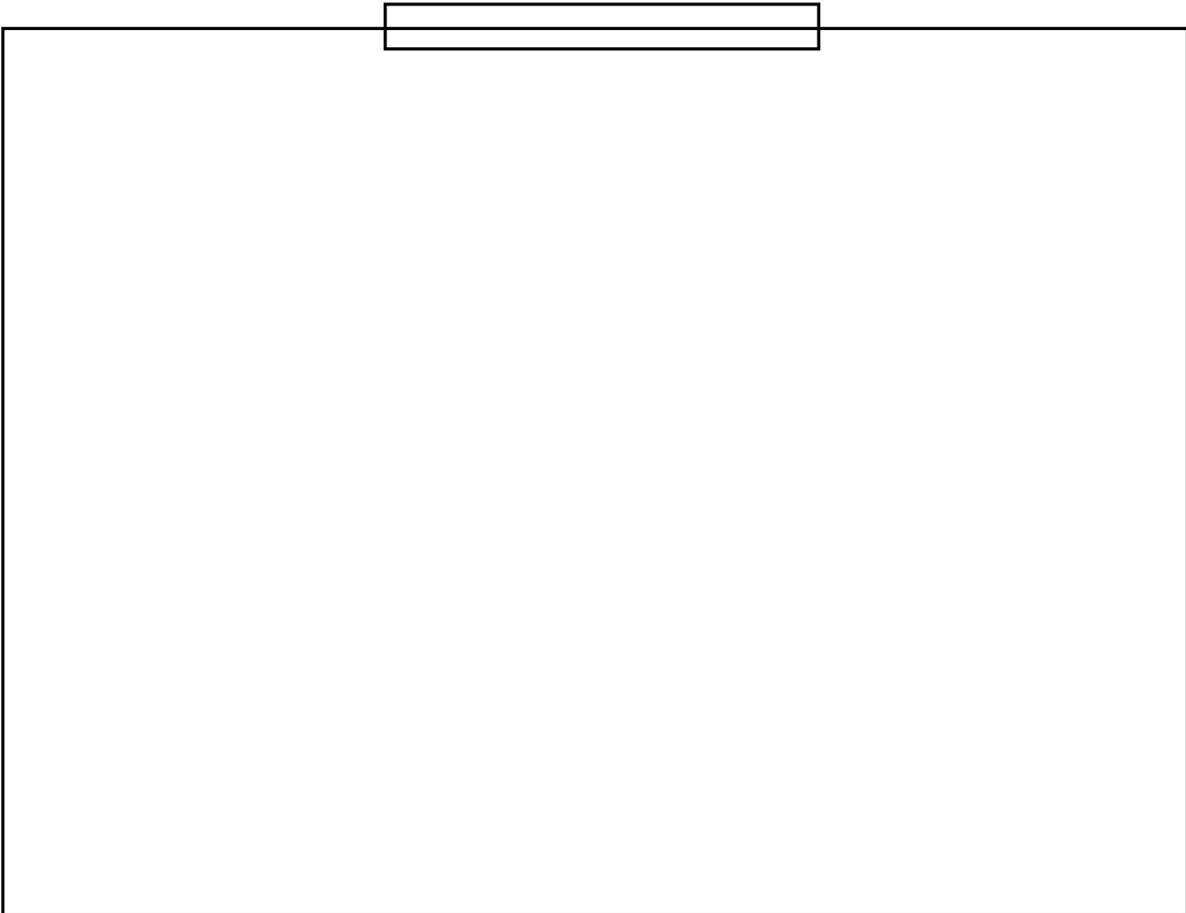
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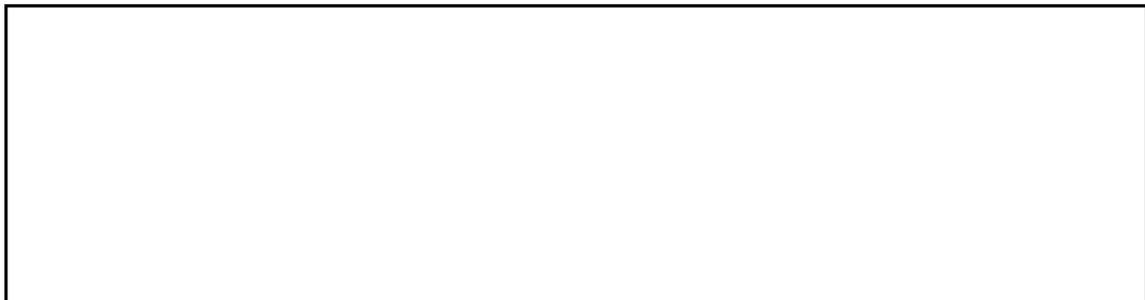
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OSO

The Agency has continuous and conflicting requirements from the military services, the Atomic Energy Commission and the Department of State for current intelligence on the Soviet Union. And so I instructed the Intelligence Advisory Committee in October, 1951 to organize a subcommittee for the purpose of allocating the priorities on clandestine collection.



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The National Security Council by its directive, NSC 10/5, 23 October 1951, has linked OPC more effectively with the Departments of State and of Defense. The Council established for the Psychological Strategy Board the role of determining the desirability of programs and individual projects for covert operations formulated by or proposed to the Director of Central Intelligence. PSB consists of representatives of the Departments of State and of Defense and the Director of Central Intelligence, who is also its chairman. CIA is therefore the agent of PSB in conducting the activities of OPC in the "cold war".

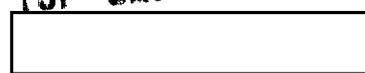
Some doubt may remain with regard to the coordinating action by PSB which would ensure adequate support both in personnel and in funds by the Departments of State and of Defense, to the Director of Central Intelligence for carrying out approved covert operations. It is my position that the Departments are to provide the funds for these projects inasmuch as their representatives on the Board pass upon the projects. For undertakings on its behalf, the Mutual Security Administration has contributed funds to the budget of OPC. Agreements for the allotment of personnel has been made with the Department of Defense for the fiscal year 1952.

AFSA

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 Material not yet available
 DCI' report to NSC
 Directives subsequent - Sec. State & Defense
 Further talk with Communications necessary

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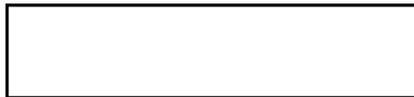


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HCB.

A continuing problem which can be left unsolved no longer is that of estimating realistically the capability of the United States to match the strength of the USSR, its satellites and associates, ton for ton and gun for gun. It is as simple as that. The Soviet economic capability of supporting a successful campaign against Western Europe has never been tested by the intelligence community of this country against our own capability of meeting that attack. It is absurd to attempt an estimate of Soviet losses in such a campaign as if it were unopposed. Of course it will be resisted. But we do not know how much resistance the United States would be able to offer.

We must have some indication of the strength and the plans of our forces if we are to make estimates of Soviet losses that might have bearing upon the determination of Soviet strategy. It is too likely that we know less about our own forces than the Soviet intelligence officers do. This does not mean that I am seeking information necessary for a commander's estimate of his probable success. I can readily understand that such information of that nature should be kept from CIA. I am submitting that its estimating boards should be supplied by the Joint Chiefs of Staff with such operational data and plans as are necessary for us to supply them with realistic estimates in the event that this cold war becomes hot.

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SUGGESTED OUTLINE FOR DEVELOPMENT OF A LETTER FROM DCI
TO THE PRESIDENT ON PROGRAM FOR THE CALENDAR YEAR 1951
(Refer NSC 50)

- Section I** Progress Report on Offices Created since October 1950:
- (1) Office of National Estimates
 - (2) Office of Current Intelligence
 - (3) Office of Research and Reports
- Section II** Progress Report on Offices Existing at the time of Reorganization:
- (1) Office of Scientific Intelligence
 - (2) Office of Operations
 - (3) Office of Special Operations
- Section III** Integration of OSO and OPC
- Section IV** Report on OPC with reference to:
- (1) "Magnitude Paper"
 - (2) NSC 10/5
 - (3) OPC as agent P&B
- Section V** Report of DCI to NSC on AFSA and subsequent Presidential Directive to Secretaries of State and Defense
- Section VI** Remaining Problems of Obtaining Operational Data and Plans from JCS

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