

In-houseCounterintelligence capabilities study completed--NSC next week.

- Hostile intel threat growing in size, aggressiveness, sophistication
- Falling behind in ability to cover--Sovs tasking proxies--PRC
- In place recruitments--FBI here--CIA abroad--have offset lag in ability to detect, conduct surveillance, investigate foreign agents
- Highly vulnerable to Soviet--polygraph--indications of interest
- Many vulnerabilities in personnel, physical, communications, computer, industrial security, open collection, active measures, technology threat
- Measures to reduce threat--limit presence, restrict travel, FOIA, lift restrictions on information available for personnel investigations
- Net assessments--presence, communications
- Enhanced capabilities--more FBI agents and CIA case officers full-time CI referents in key stations, substantial beefing up and broadening of CI analysis, additional technical support to FBI, CIA, DoD to make officers more productive
- Resource requirements yet to be developed by agencies--protective security, large funds upward of half a billion a year, counter-intelligence--steady buildup over 5 years--200 FBI, 100 CIA, 300 DoD

Major products under way include a study on Soviet life and society--first draft at a comprehensive look at living standards, health, alcoholism, ethnic, dissidence, labor, consumers (long-term)

Estimates on arms control monitoring capabilities (1979)--Soviet objective in arms control (1971)--nuclear proliferation world-wide (early seventies)

Estimates on post-Falkland-Lebanon developments in arms production, arms market, and modernization of military arsenals around the world.

The implication of the Falklands crisis for other territorial disputes in Latin America. An updating of last year's estimate of potential instabilities around the world in the light of new tensions arising from events in Lebanon, Iran, and the Falklands and economic pressures in the Third World.

25X1

SECRET

An estimate called the Atlantic Bridge diagnosis and prognosis, which will be the first broad Community-wide look at the pressures and prospects for the Atlantic Alliance in a good many years. We also have in draft across-the-board estimates on the Soviet challenge to US security interests and on the USSR in the Third World, both of these being scheduled for completion sometime in the fall. Narrow estimates are due [redacted] economic relations, the Philippines, the Caribbean, Zaire, the political succession in China, Soviet ballistic missile defense, Soviet civil defense, reliability of the Warsaw Pact allies, and Soviet space programs.

25X1

To keep us from going stale, I, together with our Arms Control Staff, am scheduled for a three-hour briefing of the General Advisory Committee on Arms Control tomorrow morning. Next week John McMahon is scheduled to testify before the Senate Intelligence Committee on intelligence support for our anti-narcotics effort worldwide and I am scheduled to brief the House Intelligence Committee on Soviet active measures, forgeries, disinformation and propaganda campaigns, etc.

I believe I had delivered to you a summary report on a survey conducted on the reaction to intelligence products of 100-odd senior intelligence consumers of the Carter Administration. They seem to be asking for conflicting views, not watered down consensus, more predictive estimates, careful definition and assessment of reasonable alternative outcomes, more timely estimates, not too soon and not too late. That's pretty much what we have been trying to do through the new estimating procedures, functioning of the National Foreign Intelligence Board, the weekly Watch Report designed to force recurring judgments on likely developments in situations deemed to be critical.

Today the live tie to intelligence consumers comes from participation in NSC and Cabinet meetings and the daily briefing of NSC principals followed by a daily conference which the briefers and editors of the President's Daily Brief have with me for the purpose of defining the live issues and making assignments for the next day's PDB and briefings. All this is reinforced by the dispatch of special written material prior to NSC meetings and oral presentation at the NSC table. I found interesting that the user survey indicated 70% of senior officials report actual use of intelligence while in the case of Assistant Secretaries intelligence is filtered through their staff and mixed with policy views into working papers. This report has led us to consider some change in the formal requirements system which, as expressed in the National Intelligence Topics, has become quite sterile. We plan to bring key policymakers into developing Terms of Reference for estimates and improve the system for distributing intelligence products in order to minimize delays and assure attention. We welcome any suggestions on these products by your review of this report.

I have come to the opinion that further improvement in the value and quality of intelligence is most likely to be achieved not so much by improving the relationship between consumers and producers as by moving analysts to more assiduously and specifically task the collectors. We have a very productive and far-flung apparatus. I am rather pleased with the job we are doing in determining the issues of key national security interest on which

SECRET

that apparatus needs to be focused. What can be improved is the collection of additional information to make that analysis more solid and substantiated and it's the experts who are doing the analysis who can best define the raw material they need and the special taskings for ammunition. Outside of overhead photography, tasking is not nearly as prolific as it should be and as the apparatus can deliver.

**Page Denied**

25X1

The Soviets seem to be set back by Middle East developments. They have been careful not to let themselves get drawn in, to the disappointment of their PLO and Syrian dependents. The Israeli devastation of their vaunted T-72 tanks, MIG aircraft and SAMs has given their military equipment a black eye and must cause their military leadership considerable worry. Brezhnev seems to be losing his grip. Several East European sources tell us that he can work only two hours a day. Andropov seems to be heading the struggle for succession. Incidentally, we were a little encouraged by a pretty reliable report that Andropov has been displeased with the foreign intelligence produced by the KGB. He thinks that too many of their officers are more interested in not getting into any trouble which could cost them their relatively soft life abroad than they are in producing good intelligence for the Politburo. Economic developments in Eastern Europe and a financial squeeze on the Soviet Union cannot give the Politburo any cause for satisfaction either.

In Poland, a political stalemate prevails with the government unable to impose its will, Solidarity and the Church unwilling to accept total surrender, creating a situation which results in sporadic demonstrations and government use of force. Industrial production has stabilized at about 60 percent of capacity.

In South America, the aftermath of the Falklands does not appear to be as bad as we thought it would be. In Argentina the diehard sentiment for continuing hostilities seems to be quite isolated. The military needs to concentrate its energy on holding a government together and does not seem to be either free or have the appetite to act on the Beagle Channel dispute in a way which we had feared could bring Chile, Peru and Ecuador into military action on territorial disputes running up the west coast of South America.

SECRET

In Central America, the military situation in El Salvador seems at the moment to be stabilized at about the level it had reached before the election. The government is a little stronger militarily and the guerrillas more divided and short of ammunition. But the supply line from Nicaragua into El Salvador is still in use. The big change is a successful civilian government in Honduras with a subordinated military strong enough to put military units in blocking positions to help the Salvadoran government forces in dealing with the guerrillas close to Honduran borders and to continue support of Nicaraguan dissidents. Continued Honduran support of US policy in the area can fade away quickly if US did not come through with needed economic and military support and President Suazo may be in trouble if he comes to Washington next week and has to return empty-handed. The key developments are Nicaragua, where internal resistance is growing, and exiled forces in Costa Rica and Honduras are becoming more aggressive, and are gaining support in both Latin American and European nations. The international support which the Sandinistas had enjoyed is fading away. In toto, it's still a mixed picture but more encouraging than it was six months ago.

SECRET