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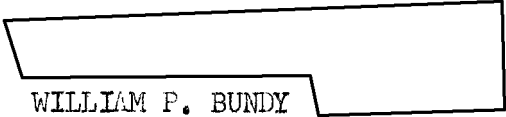
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27 July 1956

I N T E L L I G E N C E    A D V I S O R Y    C O M M I T T E E

Annual Report to the National Security Council on the  
Status of the Foreign Intelligence Program

Reference: IAC-D-55/11, 22 June 1956

1. The first draft of the Annual Report to the National Security Council on the Status of the Foreign Intelligence Program is forwarded herewith for review. A representatives meeting for the discussion of this draft will be held at 1000, Friday, 3 August in Room 115, Administration Building, CIA.
2. The usual section on "Clandestine Collection" has been omitted from this draft pending further clearances within CIA.
3. The annex containing material called for by NSC action 1430-n is being prepared and coordinated, as appropriate, by the office of the Special Assistant to the Director for Planning and Coordination, CIA. No further coordination of this annex is planned.
4. A summary similar to the one submitted last year will be prepared when coordination of the body of the report has been completed.
5. According to present plans, this matter will be placed on the agenda of the IAC meeting scheduled for 14 August.

  
WILLIAM P. BUNDY  
Secretary

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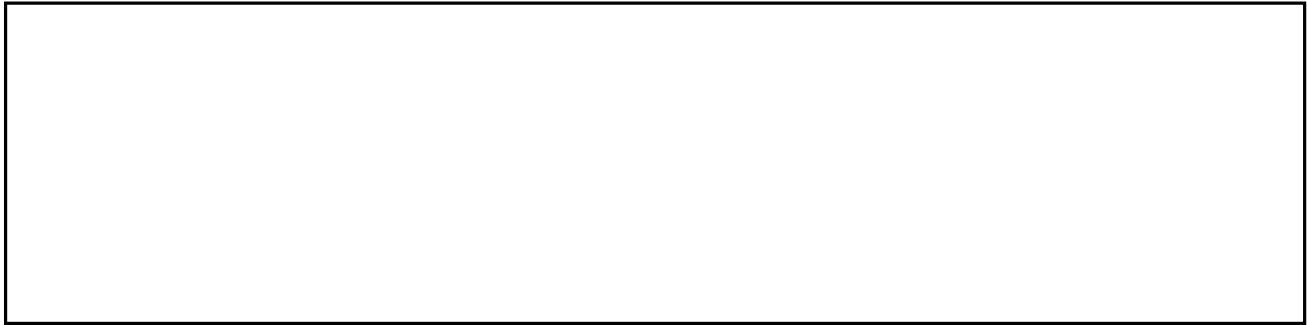
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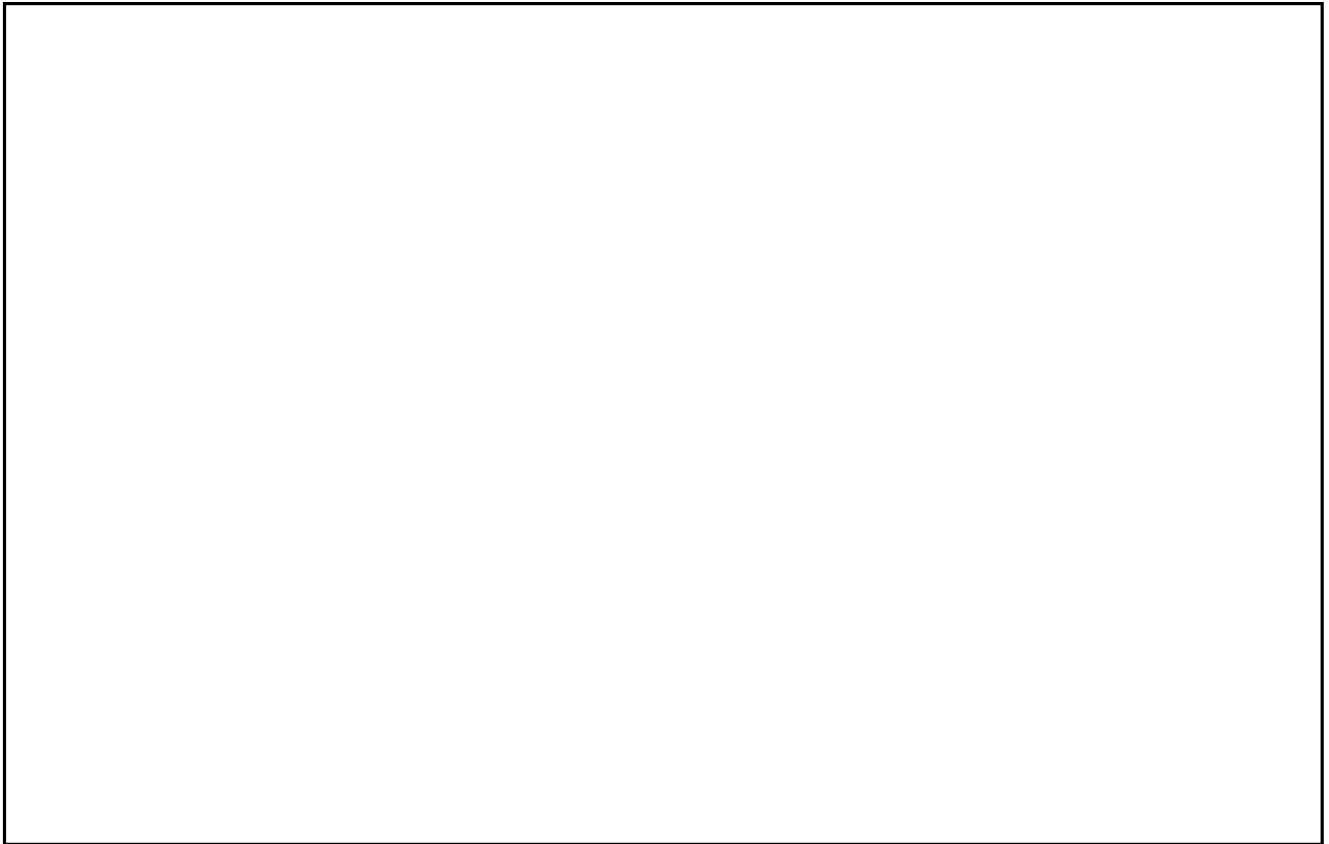


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L. "Situation Room" in the White House

At the request of the White House, CIA undertook, with the cooperation of other IAC agencies, to assist in setting up a "Situation Room" in the White House and to provide the necessary intelligence support for it.

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6. Formosa Strait Coverage

The ad hoc IAC Current Intelligence Group on the Formosa Strait Problem, established by the IAC in March 1955 in response to the President's desire for coordinated intelligence coverage of this area, continues to meet regularly. The Group issued daily reports initially and then weekly reports until August 1955; since then the reports have been prepared on a biweekly basis. A special study of the military and logistic situation was issued in January 1956.

7. The Arab-Israeli Situation

In response to an informal request of the Department of State, an ad hoc IAC Working Group on the Arab-Israeli Situation was set up in March 1956 to cover the potentially explosive developments in Palestine. The working group issued its first statement on the military and political situation on 8 March and has since kept it up to date, together with current maps and military statistics.

8. Emergency Plans

In recognition of the probable impact of emergency situations on the functioning of the IAC, there was established, at the suggestion of the Director of Central Intelligence, and ad hoc Working Group on Emergency Plans, charged with the examination of the impact of war on the functions of the IAC and the identification of problems that might arise at Operation Alert 1956. The IAC

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adopted a series of recommendations prepared by the committee and designed to anticipate problems affecting the operations of the IAC both under simulated and actual war conditions.

B. EVALUATION AND ESTIMATES

1. National Intelligence Estimates (NIE)

a. Production of NIE's continued to be guided largely by the needs of the NSC and related bodies. Of the 48 NIE's published during the last year, 26 were related to specific NSC papers or policy decisions.

b. The IAC has prepared a number of estimates in support of the reports to the NSC on the "net evaluations" of the capabilities of the USSR to inflict direct injury on the continental US. We estimate for the 1955 report, which were keyed to the focal period of mid-1958, included "Soviet Gross Capabilities for Attacks on the US and Key Overseas Installations Through Mid-1958," and "Probable Intelligence Warning of Soviet Attack on the US Through Mid-1958." On 24 May 1956 the NSC established on a permanent basis the procedure for producing these net evaluations which hereafter are to be submitted by 15 November of each year. For the Net Evaluation Study to be submitted on 15 November 1956, the IAC has produced "Soviet Gross Capabilities for Attack on the US and Key Overseas Installations and Forces Through Mid-1959"

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and "Soviet Nuclear Program." The following NIE's will also provide intelligence support for the 1956 report: "Soviet Capabilities and Probable Soviet Courses of Action Through 1961" and the pending "Soviet Capabilities and Probable Programs in the Guided Missile Field."

c. The following estimates have been produced in support of the work of the Special Assistant to the President for Disarmament: "Soviet Gross Capabilities for Attacks on the US and Key Overseas Installations and Forces in 1965," and "Some Implications of a System of International Armaments Inspection."

d. There has been completed a "Survey of NIE Dissemination and Use" which had been undertaken to assist in determining how national estimates can be made more useful to policy makers. The results of this survey are currently being reviewed by the IAC. During the past year there has also been a further refinement of the reporting of intelligence deficiencies encountered in the preparation of estimates in order to alert the intelligence community to gaps which need to be closed. In addition, a careful study of the validity of each estimate is made after a lapse of time as a further check on the estimative process.

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2. National Intelligence Surveys (NIS)

a. NIS production during the year exceeded the yearly goal set for the program by the JCS, and brought the total of the NIS produced thus far to nearly 3,300 sections, which represents more than 60% of the total world coverage. Major effort continued on the JCS high-priority areas, on which coverage is now over 85% complete. All NIS contributing agencies continued their strong support of the program and their field collection results showed improvement.

b. During the next three years the NIS Program will continue to meet the JCS annual requirements providing the NIS contributing agencies maintain their capabilities at the present levels. This will result in 80% coverage of world areas by 30 June 1959, and the revision of at least 20% of all published NIS under the maintenance program.

3. Military Intelligence

a. The status of military intelligence capabilities remains essentially unchanged from that described in the last report. Information available on the USSR, Communist China and the Satellites is improving and is generally adequate to support broad assessments of the capabilities of the Armed Forces of those countries and to

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4. Political Intelligence

a. Reasonably adequate coverage was maintained on all areas of the world, and interpretations produced on all major political developments, despite some decline in capabilities for producing political intelligence due to the reorganization in the personnel system of the Department of State and the consequent increase in turnover in the staff of the Department's intelligence organization. Intensification of the diplomatic offensive of the Sino-Soviet Bloc against the uncommitted nations and against some allies of the US posed increased problems concerning Bloc intentions and capabilities and concerning the vulnerabilities of the target areas, particularly in connection with the increased use by the Bloc of trade and aid agreements.

b. Over-all capabilities in the political intelligence field should improve, and the effects of increased turnover of personnel noted above should be counteracted, as a result of budgetary increases approved for FY 1957 and projected for FY 1958. During the next three years, political intelligence problems which will continue to require attention include Arab nationalism, Communist subversive capabilities in non-Communist countries and the diplomatic offensive of the Sino-Soviet Bloc. Other problems may be expected to increase in importance, including possible changes within the Soviet Union and between the Soviet Union and other members of the Bloc.

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b. Large-scale research is under way on certain economic aspects of the Sino-Soviet Bloc military establishments. Intensive analysis of data on prices and on military requirements has enabled intelligence research: (a) to improve cost calculations for Bloc military programs, (b) to estimate the cost burden of these programs on their economies, and (c) to provide a basis for comparison with similar programs of the United States. Detailed data required on military end-items, however, remain generally inadequate.

c. Other fields of economic intelligence pertaining to the Sino-Soviet Bloc in which there has been important progress include economic growth, gross national product accounts, agricultural and transportation capabilities, and industries of vital importance to military production capabilities.

d. An intensive program for the systematic study of Sino-Soviet Bloc economic activities in the underdeveloped areas has been undertaken by the Economic Intelligence Committee of the IAC. Periodic reports are providing detailed information on Bloc foreign economic activities, methods, and motivation. In addition, economic intelligence has been providing support for the consideration of proposed US-Soviet Bloc exchange visits and for United States consideration of disarmament proposals.

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e. Research has continued on current economic developments, historical growth trends and long-term economic prospects for selected countries and major regions of the Free World. Particular emphasis has been placed on the economic growth problems of underdeveloped countries bordering the Bloc, including their requirements for foreign assistance and their ability to sustain given military programs. Intelligence also has provided appraisals for such problems as the economic implications of the potential denial of Middle East oil to the Free World, the implications of peaceful uses of atomic energy for future economic development, and the relationships between economic development programs and political stability.

f. Substantial assistance on East-West trade control questions was provided by the intelligence community for the Foreign Ministers' Meeting in Geneva and the Eisenhower-Eden talks in Washington. Support also was provided in a comprehensive evaluation of the economic significance of international trade controls against Communist China.

g. During the next three years, improved research techniques together with expected increases in new data should assure further progress in the economic intelligence field. Increased research efforts, guided by established priority national intelligence objectives, should bring marked improvement in our estimates of:

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9. International Communism

The Committee on International Communism was established by the IAC on 24 January 1956: (a) to consider and recommend appropriate action in this field on matters related to: (1) national intelligence requirements and priorities; (2) agency intelligence requirements; and (3) means of coordination to meet national and agency intelligence requirements; and (b) to consider developments in the international Communist movement insofar as they relate to requirements. The committee is currently bringing to completion the assembly of necessary information on the present situation in this area but has not yet progressed to the point where an adequate three-year forecast of activity can be made.

10. Programs in Electronics



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