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INTELLIGENCE ACTIVITIES

APPENDIX II

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CENTRAL INTELLIGENCE AGENCY  
(CLANDESTINE SERVICES)

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REPORT OF SURVEY

of

CENTRAL INTELLIGENCE AGENCY  
(CLANDESTINE SERVICES)

by

BERNAN O. LANE, COLONEL, U.S. ARMY (RETD.)

This report consists of a basic report (3 copies, Nos. 1 to 3 inclusive) of 59 pages and 3 Exhibits, Tabs A to C inclusive. These exhibits, because of their highly sensitive nature, are attached to Copy No. 1 only.

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CENTRAL INTELLIGENCE AGENCY  
(Clandestine Services)

I GENERAL

a. Authority: When and By Whom Conducted: Purpose

Pursuant to instructions of the Commission on Organization of the Executive Branch of the Government creating a Task Force on Intelligence Activities, a survey of the Clandestine Services of the Central Intelligence Agency (CIA) was conducted during the period 1 November 1954 to 18 March 1955 inclusive, by Colonel Herman O. Lane, U.S. Army (Retired), of Alexandria, Virginia. Due to the extreme sensitivity of the activities and operations of this part of CIA, no assisting personnel were employed, except that an officer on duty with the Plans and Program Coordination Staff, Clandestine Services, CIA, was used extensively as a liaison coordinator, both in the domestic phase of the survey and during the subsequent overseas inspection of European and North African offices and installations of the Agency.

The purpose of the survey was to acquaint the members of the task force with sufficient facts pertinent to and an appraisal of the clandestine activities and operations of CIA, so that they might be able to make suitable report to proper Government officials for the information of the latter and corrective action where indicated.

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b. Scope of Survey

This survey included those elements of CIA engaged in covert activities and operations, plus, in pertinent part, certain overt elements giving active administrative and logistical support thereto. Inspectional visits were made to all covert staff and operational divisions of the Washington headquarters; the clandestine training areas in nearby Virginia; offices and installations operated under cover in [redacted]

[redacted]  
Conferences were held with all responsible staff heads and chiefs of all divisions and branches; with diplomatic and military representatives abroad. Individual employees were interviewed freely on the job and the peculiarities of all phases of daily operation were observed and inquired into. Another group of the task force visited [redacted]

The surveying officer received everywhere a marked frankness, courtesy, and wholehearted cooperation, and expresses herewith a keen appreciation to the Director, CIA, and the Deputy Director/Plans, CIA, and members of their respective staffs for their personal interest and assistance, office space, transportation, and other services incident to the survey.

II HISTORICAL

Under the provisions of Section 102(f)(2) of the National Security Act of 26 July 1947, CIA took over in the fall of the same year personnel, property, and records of the Central Intelligence Group (CIG), which by this same authority ceased to exist. Included in the organizational

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structure of CIG, as transferred to CIA, was the Office of Special Operations (OSO), at that time a branch of CIG engaged in the covert collection of intelligence and formerly an integral part of the Office of Strategic Services of the World War II period and shortly thereafter. On 12 December 1947, National Security Council Intelligence Directive (NSCID) No. 5 charged the Director of Central Intelligence Agency, hereinafter referred to as the DCI, with conducting all Federal espionage operations outside the United States and its possessions, for the collection of foreign intelligence information required to meet the needs of all departments and agencies concerned, and for counter-espionage in occupied areas, except for certain agreed activities by other departments and agencies. This directive served as a basis for continued operation of OSO in the covert field.

During the latter part of 1947, the National Security Council (NSC) held many formal deliberations concerning the desirability and possibility of setting up some kind of agency for conducting covert operations as part of peacetime security measures and in order to combat the efficient and growing cold-war apparatus of the Soviet bloc. The question of location within the Government of such an agency posed a serious problem to the members of NSC and the several committees assigned the task of preparing recommendations in connection therewith. Argument was at first submitted that since the facility proposed was one intended to meet a cold-war need it would, in fact, be an asset of the Department of Defense and should, therefore, be placed under that department. Eventually, however, NSC members came to the opinion, rather, that any agency created for cold-war usage would be political, not military, and since the project

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pertained to our relationship with a foreign power in time of peace, the thinking prevailed that it should become a part of the State Department. The then Secretary of State, General Marshall, objected vigorously to this plan. He pointed out that, although he was sympathetic to the idea of creating the proposed agency, such an activity could not be placed organizationally within the State Department without impairing his ability to make plausible denial of those activities in which the hand of the United States Government must not be seen.

The CIA, in December 1947, had been charged by NSCID No. 3 with conducting espionage and counterespionage operations abroad. This was some six months prior to the final deliberations of NSC on the question of establishing a cold-war agency to cope with the Soviet machinery being used for that purpose. It therefore appeared logical and feasible, following the sustained objections of the Secretary of State, to place the responsibility for covert operations against the Communist bloc within the structure of CIA and to correlate them with espionage and counter-espionage operations already begun by the DCI. The loss of Czechoslovakia to the Iron Curtain orbit and a stepped-up cold-war offensive early in 1948 on the part of the Kremlin and directed against all free peoples of the world hastened the action of NSC to take positive counteractive measures. On 18 June 1948, NSC published NSC Directive 10/2 stating, inter alia, and in effect that the Council, taking cognizance of the vicious covert activities of the USSR, its satellite countries, and Communist groups, had determined that, in the interest of world peace and U.S. national security, the overt foreign activities of the U.S. Government

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must be supplemented by covert operations. This directive, citing the authority of Section 102(d)(5) of the National Security Act of 1947, set up "in time of peace a new Office of Special Projects" within the CIA "to plan and conduct covert operations; and in coordination with the Joint Chiefs of Staff to plan and prepare for the conduct of such operations in wartime." The directive further provided that a highly qualified person, to be nominated by the Secretary of State and acceptable to the DCI and approved by NSC, should be appointed as chief of the newly created office; still further, that the chief should report directly to the DCI, and that to the maximum degree consistent with efficiency the Office of Special Projects should operate independently of other components of CIA. In this same document, the DCI was made responsible for:

"(1) Ensuring, through designated representatives of the Secretary of State and of the Secretary of Defense, that covert operations are planned and conducted in a manner consistent with U.S. foreign and military policies and with overt activities. In disagreements arising between the Director of Central Intelligence and the representatives of the Secretary of State or the Secretary of Defense over such plans, the matter shall be referred to the National Security Council for decision.

"(2) Ensuring that plans for wartime covert operations are also drawn up with the assistance of a representative of the Joint Chiefs of Staff and are accepted by the latter as being consistent with and complementary to approved plans for wartime military operations.

"(3) Informing through appropriate channels, agencies of the U.S. Government, both at home and abroad (including diplomatic and military representatives in each area), of such operations as will affect them."

The directive provided that supplemental funds for FY 1949 should be requested immediately, and thereafter operational funds for these purposes would be included in normal CIA budget requests. Lastly, the directive interpreted covert operations as "all activities which are

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conducted or sponsored by this Government against hostile foreign states or groups or in support of friendly foreign states or groups, but which are so planned and executed that any U.S. Government responsibility for them is not evident to unauthorized persons, and that if uncovered the U.S. Government can plausibly disclaim any responsibility for them. Specifically, such operations shall include any covert activities related to propaganda, economic warfare, preventive direct action, including sabotage, anti-sabotage, demolition and evacuation measures, subversion against hostile states, including assistance to underground resistance movements, guerrillas and refugee liberation groups, and support of indigenous anti-communist elements in threatened countries of the free world. Such operations shall not include armed conflict by recognized military forces, espionage, counterespionage, and cover and deception for military objective."

On 23 October 1951, by NSC Directive 10/5, the NSC approved in principle the immediate expansion of the covert organization established by NSC 10/2 and the intensification of covert operations designed to place the maximum strain on the Soviet structure of power and "contribute to the retraction and reduction of Soviet power and influence to limits which no longer constitute a threat to U.S. security"; to orient toward the United States "the peoples and nations of the free world, and increase their capacity and will to resist Soviet domination"; to develop underground resistance forces in strategic areas, "including wherever practicable provision of a base upon which the military may expand these forces" ... "in time of war within active theaters of operation." The responsibility of the DCI was reaffirmed by NSC in this same directive

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and responsibility was given to the Psychological Strategy Board (PSB), which will be discussed hereinafter, for:

"a. Determining the desirability and feasibility of programs and of major projects for covert operations formulated by or proposed to the DCI.

"b. Establishing the scope, pace, and timing of covert operations and the allocating of priorities among these operations.

"c. Coordinating action to ensure the provisions of adequate personnel, funds, and logistical and other support to the DCI by the Departments of State and Defense for carrying out any approved program of covert operations."

Lastly, NSC requested the Secretary of Defense to provide adequate means whereby the DCI might be assured of the continuing advice and collaboration of the Joint Chiefs of Staff (JCS) in planning for paramilitary operations during the period of the cold war. On 15 July 1952, the DCI made effective an order for merging OSO and the Office of Policy Coordination (OPC), as the Office of Special Projects had become known, under a Deputy Director for Plans, hereinafter referred to as the DD/P. This consolidation actually created the Clandestine Services of CIA, sometimes referred to hereinafter as the DD/P Complex.

The foregoing so-called "slant" directives of NSC constituted the basic documents for covert operations for CIA until the publication of NSC Directive 5412 on 15 March 1954. This document, in superseding NSC 10/2 and 10/5, reiterated the background and repeated the salient features of these previous documents, and in further interpretation of cold-war policies to be pursued stated, inter alia:

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"3. The NSC has determined that such covert operations shall to the greatest extent practicable, in light of U.S. and Soviet capabilities and taking into account the risk of war, be designed to:

"a. Create and exploit troublesome problems for International Communism, impair relations between the USSR and Communist China and between them and their satellites, complicate control within the USSR, Communist China and their satellites, and retard the growth of the military and economic potential of the Soviet bloc.

"b. Discredit the prestige and ideology of International Communism, and reduce the strength of its parties and other elements.

"c. Counter any threat of a party of individuals indirectly responsive to Communist control to achieve dominant power in a free-world country.

"d. Reduce International Communist control over any areas of the world.

"....."

NSC 5412 also repeated the responsibilities of the DCI as delegated in NSC 10/2 and 10/5. (NSC 5412 was superseded on 12 March 1955 by NSC 5412/1, which did not alter the text of the former as to cold-war objectives.) It is the present charter of operation for the Clandestine Services of CIA. Since there appears to be no other authoritative document carrying an expressed overall national policy of the United States for prosecution of a cold war, it is submitted that, general as it is in terminology, this directive of the NSC, aimed at a single ideology and primarily at a single aggressor against the peace and security of our nation; namely, the USSR, is serving for the time being as the only published expression of our national cold-war policy. The advisability of creating a more specific, inclusive, and perhaps overt statement of

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such policy is open to serious question, considering the natural aversion of the average American to clandestine methods in peacetime dealing with a foreign power.

As to the legal basis for the creation of the Office of Special Projects; viz., Section 102(d)(5) of the National Security Act, as quoted in NSC 10/2, this portion of the Act reads as follows:

"(d) For the purpose of coordinating the intelligence activities of the several Government departments and agencies in the interest of national security, it shall be the duty of the Agency, under the direction of the National Security Council - ....

"(5) to perform such other functions and duties related to intelligence affecting the national security as the National Security Council may from time to time direct."

Thus, the legal question arises as to the existence of any reasonable degree of relationship of the cold-war operations of CIA, as now being conducted, to "intelligence affecting the national security." As far as CIA is concerned, the Agency is bound by the aforementioned NSC directive and the legality thereof is not questioned by the DCI, particularly since the General Counsel of the Agency has expressed the opinion that the action taken by NSC is in conformity with law. While the surveying officer considers the question moot, it does not appear proper at this time, with extensive world-wide covert operations in being, to make conclusion or recommendation in the matter, particularly in view of the broad powers of the Chief Executive, who is entirely witting to the program. No agency of the Government, except CIA, appears appropriate as an operational host for the Office of Special Projects.

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Conclusion

That the Office of Special Projects -- now a part of the Clandestine Services of CIA -- should be continued as a component of CIA.

III ORGANIZATION

There is attached as Tab A a chart showing the organization of the Clandestine Services of CIA under the Deputy Director for Plans (DD/P). This organizational arrangement, designed for uniformity, efficiency, and maximum administrative control, came into being on 1 March 1955 as result of extensive study and long experience of operation under the various rapidly changing tables of organization necessary to meet the heavy impact placed upon CIA by the cold-war program. The staff and operational organization of the Clandestine Services has not experienced smoothness of function in the past, due partly to an inherent unwieldiness, partly to a serious weakness in the chain of control, and partly to the fact that, from the beginning of cold-war operation, representatives of the Department of State have dictated largely, by direct contacts at low organizational level, the policy and specific operations of CIA in the field of psychological warfare without going through the DCI to do so. This circumstance has often resulted in confusion, loss of administrative control, inefficiency in operation, and sometimes an actual ignorance on the part of responsible CIA officials as to operations being initiated. While both State and CIA have taken recent steps to provide proper liaison channels between their respective agencies, it is considered by the surveying officer that the problem is of sufficient importance to warrant solution by different means, as will be discussed later in this report. Operational control has been adversely affected,

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also, by frequent direct dealings with the Clandestine Services at staff or divisional level on the part of the DCI. It appears that such action has been taken on the grounds of expedition and security. Under the National Security Act of 1947 and NSC directives, the DCI has the sole responsibility for the security of intelligence and cold-war operations, and his actions in such instances undoubtedly were deemed by him to be in the best interest of the Government at the time. These, however, plus the direct lines of area division chiefs of the Clandestine Services to the DCI as his "executives" and to the field, and vice versa, as prescribed by written directive of the DCI dated 15 July 1952 and reiterated in Agency regulations dated 11 March 1955, have been consistently destructive to organizational cohesion and smoothness of operation. Under such system, lacking the mechanism to implement staff guidance, because of the peculiar independence of area division chiefs, the authority of the DD/P over his organization has been reduced below the minimum requirements for control, efficient operation, and even security. NSC 10/2 directed his appointment as "chief of the newly created office." Since July 1952, the DCI has not permitted him to function as such.

Conclusion

. That rigid lines of control and staff procedure pertinent to the Clandestine Services should be established within CIA to eliminate the present independence of the area divisional chiefs and overseas elements.

It is considered by the surveying officer that the currently reorganized structure of the Clandestine Services of CIA, while a progressive step, is inadequate in that the entire administrative and

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logistical support of the DD/P Complex under the new organization is now on the overt side of the Agency. As stated previously, NSC 10/2 required that "to the maximum degree consistent with efficiency, the Office of Special Projects should operate independently of other components of CIA." At the time of the beginning of this survey, there was present with the DD/P Complex a small liaison group from each of the major elements of support, although final approval for logistical and administrative assistance rested with the Deputy Director for Administration (now the Deputy Director for Support) located on the overt side of the Agency. Even these groups are now being removed. This cumbersome arrangement has always placed the DD/P in the confusing position of a division combat commander without authority of his own to employ his assets, or to expend his ammunition in engaging targets of opportunity as he sees fit. It has meant further that the DD/P has been denied the convenience of firm logistical planning within the confines of his own and highly sensitive organization; that many of his covert activities requiring support have had to pass through an overt stage prior to final approval; moreover, that it has been by merest chance that many of his operations have not been compromised by having to acquaint a large number of overt personnel of the Agency with the details of such operations in order to obtain administrative and logistical support therefor; that he felt compelled to set up and operate within his organization supplementary branches for all those support elements necessary to the continued existence and operation of his office, such as personnel, training, logistics, etc. Many of these so-called administrative staffs are large. This has been, and under the current organization will continue to be, a

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necessary but wasteful duplication of personnel which might well be eliminated at considerable saving to the Government, were the requirements of NSC 10/2 carried out and the Office of Special Projects, now a part of the Clandestine Services, made completely self-supporting, so as to operate independently of other components of CIA. The surveying officer expresses the strong conviction that this cold-war activity should be entirely divorced from any other component of CIA, with all the present staff duplications eliminated, and finds no reason of efficiency for any other action. Rather, it appears in the interest of both efficiency and economy, as well as to the best interests of the Government security-wise, to place under the Chief of the Office of Special Projects every support element necessary to carry out his mission and insure its success and security in all respects.

#### Conclusion

That the Office of Special Projects, now a part of the Clandestine Services, should be made entirely self-supporting and be operated independently of other components of CIA, as was the intent of NSC at the time of creation of this cold-war activity.

A study of the organization chart of the DD/P Complex (Tab A) will reflect the world-wide coverage of the Clandestine Services of CIA at the present time. Although there is much still to be accomplished before the Clandestine Services may be said to have come of age, when full consideration be given to the tremendous task so suddenly imposed upon the Agency by the creation of the Office of Special Projects and the relatively short period of its existence it is remarkable that there has been created so quickly and so secretively an activity of this nature, with

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only a token assistance from the other Government agencies or instrumentalities. While most of the mistakes made in the process have been the activity's very own, its successes have likewise been its own and the latter are beginning gradually to far outweigh the former.

#### IV OPERATIONS

##### a. Background

Under the provisions of NSC 10/2, as previously discussed in this report, covert operations placed under the responsibility of the DCI were, inter alia, to include:

- (1) Propaganda.
- (2) Economic Warfare.
- (3) Preventive direct action, including sabotage, anti-sabotage, demolition, and evacuation measures.
- (4) Subversion against hostile states, including assistance movements, guerrillas, and refugee liberation groups, and support of indigenous anti-Communist elements in threatened countries of the free world.

From the viewpoint of CIA, NSC 10/2 lacked the element of guidance which would determine the extent of the covert operations to be undertaken and it was not readily foreseeable by CIA officials, or other Government agencies involved, the ends to which the program should be pushed in order to insure winning the cold war for the United States. It soon became apparent to all concerned that the Office of Special Projects was to become a major political instrumentality and must have recognition as such; that freedom of operation must be accorded it far

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beyond that granted by law and regulations applicable to other Government agencies.

NSC 68, published late in 1950, sought to provide a measure of guidance as to the national objectives in the unexplored field of cold war. Its provisions for more rapid build-up of free-world potential, however, were too vague and general to serve effectively its intended purpose. The DCI, on 8 May 1951, therefore, transmitted to NSC a memorandum entitled "Scope and Pace of Covert Operations." In this communication, he depicted the status of covert operations and requested more specific guidance. He pointed out that these operations were outstripping the administrative capabilities of CIA, which were small when compared with the objectives outlined in NSC 68. The question as to the extent to which cold-war activities should be targeted toward counter-revolution in Communist-controlled states was raised. Finally, the DCI recommended a review of covert cold-war operations and a restatement of the responsibilities involved. The result, after months of deliberation at high Government level, was the publication of NSC 10/5, previously discussed in this report, which did little beyond reiterating the provisions of NSC 10/2 and delineating the role of the Psychological Strategy Board (PSB), which had been created by Presidential directive on 4 April 1951. This action by the Chief Executive had been considered by NSC a constructive step to provide necessary guidance for the activities of the now firmly established Office of Special Projects (known then in CIA as OPC). For reasons not readily apparent from existing records, however, controversy soon arose between PSB and the State Department and the former was never able to perform the functions originally conceived by NSC for it and contributed little in the way of guidance in the

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cold-war effort prior to its abolishment by Executive Order 10483 on 2 September 1953.

The Operations Coordinating Board (OCB), since its creation by this same Executive Order, while approving or disapproving cold-war projects on a national political policy basis, has evidently not sought to make overall interpretations of cold-war policy or strategy; nor does it appear that the order creating the Board intended that it should do so.

In the absence of specific national cold-war strategy, CIA first injected itself on a major scale into the field of covert operations in 1951 in compliance with NSC directives. The onset of the Korean War in 1950 had delayed materially the cold-war program. In June 1951, a strategic plan was completed by CIA and presented to representatives of the State Department, Department of Defense, and JCS, who accepted it with only minor changes. This plan then became the basis for subsequent so-called country plans, which contained estimates of support requirements. By 1952, the Agency was in a position for the first time to present its complete requirements in terms of personnel, budget, materiel, and services for the following two-year period.

b. Psychological Warfare

The largest covert operations of CIA, budgetwise, are in the field of psychological warfare. These include actions involving political and economic warfare, as well as anti-Communist front and indigenous organizations, and the world-wide usage of all available media of mass communication for propaganda purposes.

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(1) Propaganda. Major propaganda instrumentalities include:

(a) The Free Europe Committee (FEC) with headquarters in New York, radio broadcasting and monitoring facilities known as Radio Free Europe (RFE) in Western Germany and Lisbon, Portugal; [redacted]; [redacted]; research projects relating to the Soviet satellites; a monthly magazine of news from behind the Iron Curtain; launching facilities for short and long-range balloon operations; limited assistance to refugees in western Europe from satellite states; support of exile councils and committees in the United States from Central and Eastern Europe and the Balkan states; support of exile international organizations, such as [redacted]

[redacted] Programs are beamed at the Soviet European satellites, radio scripts being prepared by emigres from these countries under the supervision of American CIA officials at the Munich, Germany, center. The annual cost of the activities of FEC is approximately \$15 million. Of this amount, CIA funds the sum of [redacted], and the remainder is supplied by the Crusade for Freedom fund-raising campaign, an allied organization of FEC.

(b) The American Committee for Liberation from Bolshevism, Inc. (AMCOMLIB), with headquarters in New York - a group of Russian emigres and other nationalities from the Soviet Union -- with an operating center in Munich. This group, supported entirely by CIA, broadcasts in 17 languages and dialects to the USSR and to Russian soldiers in East Germany and Poland, under close guidance of American CIA officials at Munich. It also monitors Soviet broadcasts. Annual cost of this operation is approximately \$3 million. The activity includes an institute in Munich

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for the study of the history and culture of the USSR. It subsidizes a newspaper in Paris for the edification of emigres from Iron Curtain countries and published in the name of the Munich center.

(c) The National Labor Alliance of Russian Solidarists (NTS), a Russian emigre group consecrated to the overthrow of the Soviet regime in USSR by revolution, is an independent group

[redacted] This group employs a clandestine mobile broadcasting facility and both short and long-range balloon launching activities, and distributes leaflets to the Soviet Zone of Germany and makes direct contacts with Soviet citizens in the Berlin area. It operates cadre schools for clandestine training in the Frankfurt area and is engaging in espionage operations within the Soviet orbit and has initiated operations in other countries of Europe and the Middle East directed against Soviet citizens abroad.

(d) The Union of Postwar Emigres (TsOPE), a small Russian group,

[redacted] The chief of the group is [redacted] and some 22 members are paid as employees of the organization. Adherents of this group number about 300 and receive some assistance from welfare organizations, mostly local in nature. They produce propaganda leaflets and engage in balloon operations, conduct a propaganda school, and prepare propaganda material. Their activities are partly overt, particularly in providing a reception point for other emigres, and they have established through Soviet contacts a control net for the distribution

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of leaflets in the Soviet orbit, sometimes by couriers, sometimes by short-range balloons. The propaganda material prepared by this group has been used on occasion by the Voice of America, fees therefor going to the contributors. The total budget for FY 1955 for this relatively new operation is \$111,400.

(e) The Asia Foundation (TAF), a large propaganda and assistance organization with headquarters in San Francisco, a representative in New York, and field representatives throughout the Far East area, South and Southeast Asia, uses the media of books, moving pictures, newspapers, magazines, front organizations, and educational, cultural, and civic groups. The foundation operates under a board of trustees, composed of prominent American citizens who serve without pay. Its efforts are directed mostly toward the free countries of Asia and its aim is to develop Asians into a community with interest in resisting Communism. Cost of this operation is \$4,300,000 annually.

(f) The use of extensive anti-Communist propaganda media in all areas of the world where CIA assets make such action feasible. This program includes overflights by airplanes for the purpose of dropping leaflets over satellite countries in southern Europe and over the mainland of China; clandestine radio broadcasts on a regular basis; anti-Communist posters and brochures, newspapers and magazines.

Any evaluation of the overall covert propaganda program of the Clandestine Services of CIA must include initially its nuisance value, which the surveying officer believes to be its greatest asset in the cold-war program. Without consideration of the potential radio audience

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served by the various broadcasting facilities being employed by CIA, which is impossible to determine with any degree of accuracy, or of the moral and spiritual worth of the text being used in the programs aimed at the USSR and its satellites, it is a fact worth citing that the Soviet authorities are taking extraordinary preventive measures to keep the material from reaching the intended listeners within the Soviet orbit. By triangulation intercept methods, CIA and other Government agencies have located definitely more than 100 jamming stations within the USSR and its satellites, predominantly within the USSR itself. Many more are believed to exist. Moscow is so ringed with a low-level interference net that it is doubtful if more than an insignificant trickle of broadcast gets through in that area. It is thus evident that the USSR places vast importance on our cold-war radio propaganda program. These preventive measures undoubtedly are costing the Soviets dearly in equipment, personnel, electric power, and other expenses necessary to operation. Since broadcasting in the major stations continues around the clock, there is virtually no rest for the jammers. A prominent emigre member of AMCOMLIB was covertly murdered in Munich, and a Soviet plot to kill another member of this group was thwarted recently by alert action on the part of CIA personnel. Constant efforts by the Soviets to effect the return of personnel in all of the emigre groups through contacts by clandestine agents from East Germany is still further evidence of Soviet distaste for their operations.

An extensive examination of the broadcasting programs themselves reveals the fact that they are both cleverly and sensibly prepared and presented. The present capabilities of the emigre groups sponsored and

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financed by CIA have been developed over a long and vexatious period of experimentation, during which almost insurmountable obstacles had to be met and disposed of. The sponsoring of emigre groups for covert propaganda purposes was a responsibility placed upon CIA by NSC at the request of the State Department, which did not desire to recognize or sponsor so-called governments in exile while recognizing officially the sovereign states from which they came. Experience has shown that these same groups are made up largely of political partisans, each desirous, in the beginning, of freedom for his country, but with liberation to include a furtherance of his own political ends in the process. Among the groups from the countries making up the USSR, for example, the Ukrainians long held out for a free Russia only if Ukraina through this medium would gain its independence. It has been the unenviable task of the Clandestine Services of CIA to mould these several groups into cohesive, manageable teams where desire for individual political gain is put aside in favor of the welfare of the group and homeland as a whole. The process has not been easy and it is to the credit of the Clandestine Services that they have doggedly developed the know-how to cope with the situation. The cover has worn thin on RFE and there is evidence of Communist penetration of this facility to the extent that the pseudonyms and true identities of several prominent Polish members of the Munich center have been revealed recently in the Polish Communist press. Since the programs are carefully prepared and presented under on-the-spot CIA supervision, no great anxiety is expressed over this incident as far as contamination of the programs is concerned. It would be surprising if this activity, employing a host of indigenous persons in housekeeping capacity in a locality noted

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as a hub of Soviet espionage; namely, Munich, did not suffer some penetration, regardless of the stringent security measures being maintained.

All of these broadcasting facilities were found to be operating on an economic basis.

[redacted] A visit to that site disclosed a lavish installation, grossly excessive to the requirements of the activity, costing more than \$4 million, and by no means in keeping with the nationally publicized needy circumstances of the Crusade for Freedom. In addition, it was found that a contract with the [redacted] for the operation of this site is detrimental in some respects to the best interest of the Agency and thus indirectly to the Government. This matter was called to the personal attention of pertinent CIA officials having supervisory responsibility for RFE, one of whom has since visited the location. Steps for necessary corrective action are being taken.

Because it is evident that these covert emigre propaganda facilities, aimed at the USSR and its satellites, have become our best weapons in the cold war, their continued existence and operation under sponsorship by CIA are believed to be in the best interest of national security.

No appraisal relative to the other purely propaganda activities of the Clandestine Services is attempted in this report, nor is it believed possible at this time to give a fair estimate thereof. The program for psychological warfare is well conceived, but not well managed, due to circumstances which have been heretofore beyond the control of responsible officials of the Clandestine Services. The program may be said to have failed, however, in no important area of the free world.

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The allocation of funds for all projects of psychological warfare to specific areas, more particularly for propaganda, has been consistently influenced and too frequently interfered with by low-level State Department representatives since the beginning of the cold-war program. This intervention in the program by such representatives, whose interests are narrow and restricted to their assigned country areas, has at times in the past resulted not only in misdirected efforts on the part of the Clandestine Services, but in serious financial losses to the Government also, without a fair measure of gainful return. These might have been avoided had the DCI been given long-range national policy guidance at higher State Department level and had been permitted then to act on his own judgment, or, better still, had NSC more clearly defined the prerogatives of the DCI in carrying out his cold-war mission. To the surveying officer it is significant that NSC gave to the DCI the sole responsibility for carrying out cold-war operations aimed at the Communist bloc. Nowhere in NSC directives pertaining to this mission is it indicated that the DCI's responsibility therefor may be delegated to, or shared with, any other Government agency. While it is realized that our national policy in foreign affairs may change in certain areas from time to time, any operational measures undertaken as a result of these changes must be coordinated with the world-wide psychological warfare program, since the salient features of our cold-war policy have had few modifications indeed since their promulgation. The Agency has budgeted the sum of  for FY 1955 and  for FY 1956 to be spent for psychological warfare. These sums represent roughly 53 percent of the total DD/P direct budget for these same periods. From a survey of the areas in which these operations are being effected, or are to be effected,

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the conclusion is drawn (1) that programs in some areas are obviously over-emphasized, and other areas worth exploiting are being almost completely neglected; (2) that, in view of the huge sums involved and in order that CIA may have more specific guidance in this program, the matter should now receive the attention of NSC and means should be set up at that level for scrutiny and approval of the annual budget, and for firm allocation of funds proposed by the DCI for psychological warfare purposes after he has conferred with the Secretary of State and the Secretary of Defense, or their designated representatives. In the event the Secretary of State or the Secretary of Defense at any time thereafter deem it necessary, for reasons of national political or military policy, to strengthen, weaken, or otherwise alter the program in any or several areas, his representation in this respect should be made to the recently created Planning Coordination Group of OCB. The surveying officer is of the opinion that such action would not only result in a more realistic approach to the problem, but would also tend to insure efficiency and economy of operation in the program and would give to the DCI a sorely needed measure of independence not yet accorded him by NSC directives relative to cold-war activities. It was plainly the implication of NSC 10/2, in creating a national cold-war agency, that suitable policy advice would be furnished to the DCI by designated representatives of the Secretary of State and the Secretary of Defense for peacetime covert operations. While there is no evidence revealed in this survey concerning any serious disagreement between CIA officials and these same representatives with respect

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to psychological warfare, it is clearly indicated that, as far as the Office of the Secretary of State is concerned, such policy advice has come on a piece-meal basis and too often not from specifically designated representatives of that agency. At least a part of the blame for the confusion lies with CIA area divisional personnel who have acted independently upon such advice as being authoritative and binding.

Conclusion

That suitable steps should be taken at NSC level to establish firm budget allocations for CIA's clandestine psychological warfare program.

B. Political Warfare

Major successes have been achieved by the Clandestine Services of CIA in political warfare operations [redacted]

[redacted] These operations have been marked by sound judgment, careful planning, discretion and finesse. Due to the close relationship of the propaganda program in each instance to the political activities involved, it is not possible to make approximation of the cost entailed as applicable solely to political warfare, except in the Philippines, where the sum of [redacted] was spent to promote the election of the present chief executive of that government. Even here, a small part of the cost is applicable to certain activities of both propaganda and paramilitary nature. In [redacted] the same is true. The success of the eventual paramilitary operation in the former was due largely to a careful political preparation in that country by CIA personnel and agents.

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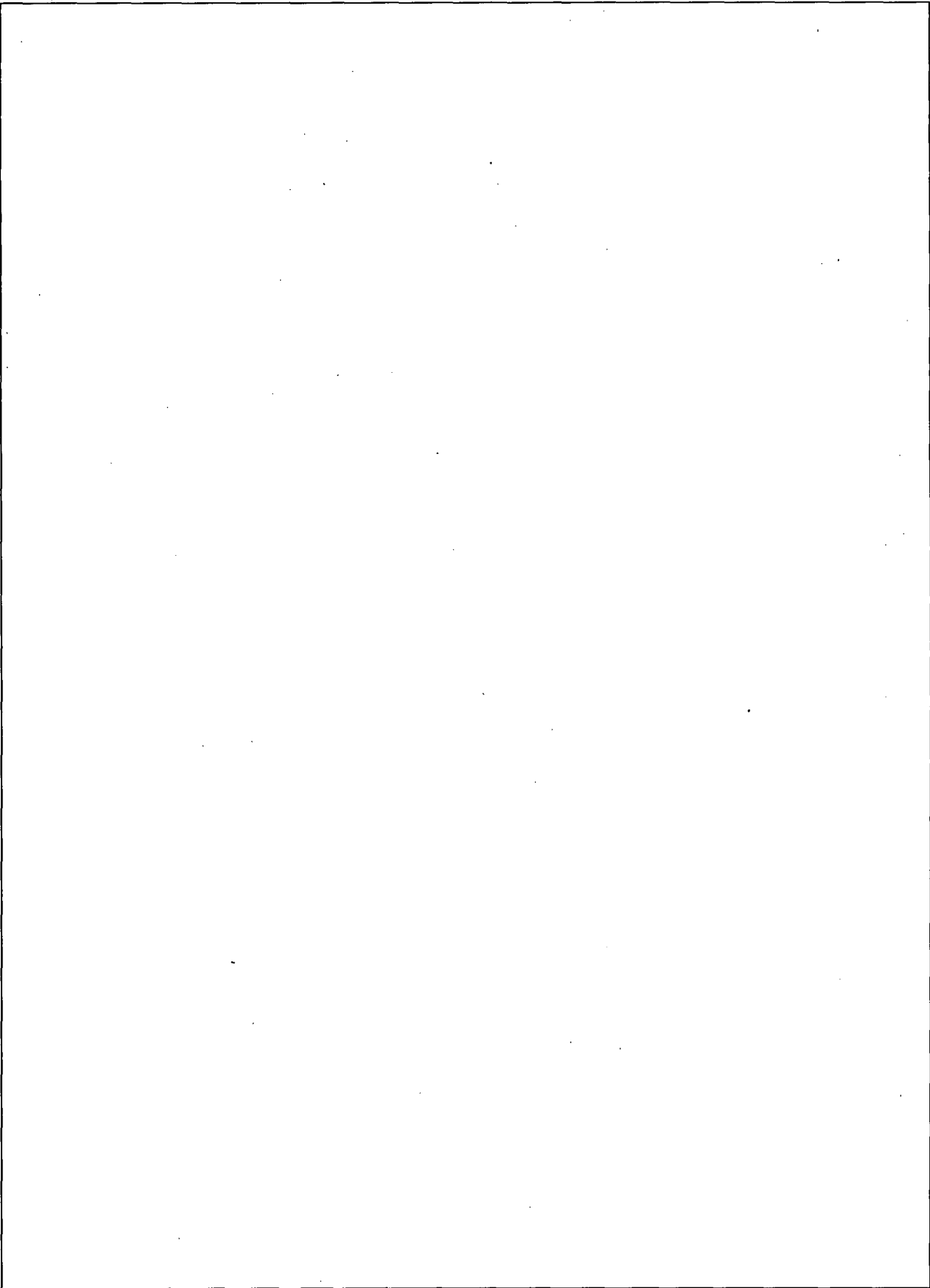
Lesser political warfare successes have been achieved here and there in Latin America, Korea, and Japan. No attempt is made here to estimate the worth of all these operations to the Government.

d. Economic Warfare

Many of the most costly mistakes of the cold-war program have been made in the field of economic warfare, specifically in buying operations intended to deprive the Soviet bloc of strategic and even everyday commodity items. This program has failed. It should be pointed out, however, in any discussion of the projects involved, that these were seldom of the Clandestine Services' choosing, but were initiated at the request and sometimes urgency of other Government agencies. These undertakings were often poorly conceived and the majority occurred in late 1951, or early 1952, at a time when the covert organization of CIA was ill-equipped as to experienced personnel and technical expertness to cope with them. The element of security was overstressed to the extent that normal staff and control channels were bypassed, resulting in poor planning, failure to explore properly the field of contemplated operation, and failure to exercise reasonable precautions to protect the Government's interests.

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The lessons learned from these and similar transactions in the economic warfare field resulted in the gradual installation of tighter controls on the part of the Clandestine Services, which will be discussed later. They also taught responsible DD/P personnel to be exceptionally wary of this type of operation.

g. Paramilitary

The Clandestine Services have engaged in paramilitary operations in Korea, where, on a relatively small scale, clandestine support to troops in combat was provided, and in the Philippines and elsewhere on a still smaller scale. Much larger operations have been coastal raids, using Nationalist Chinese irregular troops against the mainland of China; the overthrow of the Mossadegh regime in Iran; and the ousting of the Communist-dominated government in Guatemala. These larger operations, which cannot be assessed as to their worth to the cold-war effort, have been of inestimable value to the Clandestine Services in the development of personnel trained in such operation and in operational experience gained in this field. Iran and Guatemala afforded the first and only full-scale, head-on clashes between the tangible cold-war assets of CIA and like assets of the Soviet orbit. Each instance was a signal triumph for the former.

With respect to the use of CIA as a "Fourth Force" in time of hot war, there is yet much to be done before firm plans as to its employment are effected. The Agency has not yet assumed the stature to warrant its

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acceptance by the Department of Defense as a sound asset to the military in case of armed conflict with an enemy of the United States. Representatives of both CIA and the Department of Defense must share the blame for this situation. CIA has been unduly hesitant to push its own plans for hot-war usage of its potential, because of stumbling blocks placed by the military to repeated proposals of the DCI for the use of CIA in the field of unconventional warfare. On the Defense side, the JCS and the Army in particular have been loath to recognize CIA as a complementary and possibly valuable team member with the military in wartime, instead of a competitor in the contemplated areas of operation. The military also has been slow to forward its own plans for unconventional warfare. There have always been differences of opinion between CIA and the Department of Defense as to the proper employment of CIA assets in hot war. The result has been a regrettable and harmful stalemate, which in the interest of national security should have been brought to the attention of NSC long ago as a disagreement between the DCI and representatives of the Secretary of Defense. In light of the prolonged unresolved differences affecting both agencies, it was the responsibility of the DCI to take such action, as prescribed by NSC 10/2, still in force and effect during the full period of disagreement.

The JCS Unconventional Warfare Annex to the Joint Strategic Capability Plan (formerly Joint Outline Emergency War Plan) is the guide for CIA planning for hot-war operation. CIA activities reflected in this plan are limited to those covert operations which will be conducted in active theaters of war where American forces are engaged. While CIA

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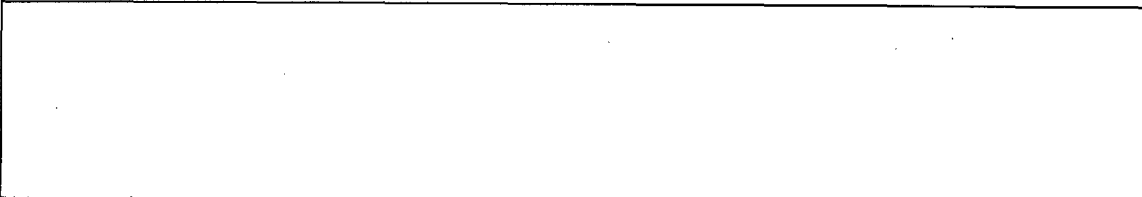
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has for some time had its own strategic war plan, based upon the Annex cited, such plan is incomplete and totally uncoordinated, even within the confines of the DD/P Complex. There has been no organizational machinery set up heretofore to enforce implementation of the plan at the DD/P area divisional level. A group of 12 combat experienced officers from all the services was assigned to CIA for war planning on 1 January 1954. Much progress has been made since that date. The "Agreed Activities" referred to in NSCID No. 5 were reconciled between CIA and the Department of Defense in December 1954.

Command relationships between CIA and the military in active theaters of war where American forces are engaged were agreed upon by paper dated 26 January 1953. This document, in general, specifies that under these conditions CIA will retain its organizational identity, insofar as practicable, including its responsibilities in technical and special administrative matters, and the military commander will exercise authority over the CIA component force corresponding to that exercised over the Army, Navy, and Air Force component forces assigned to his command.

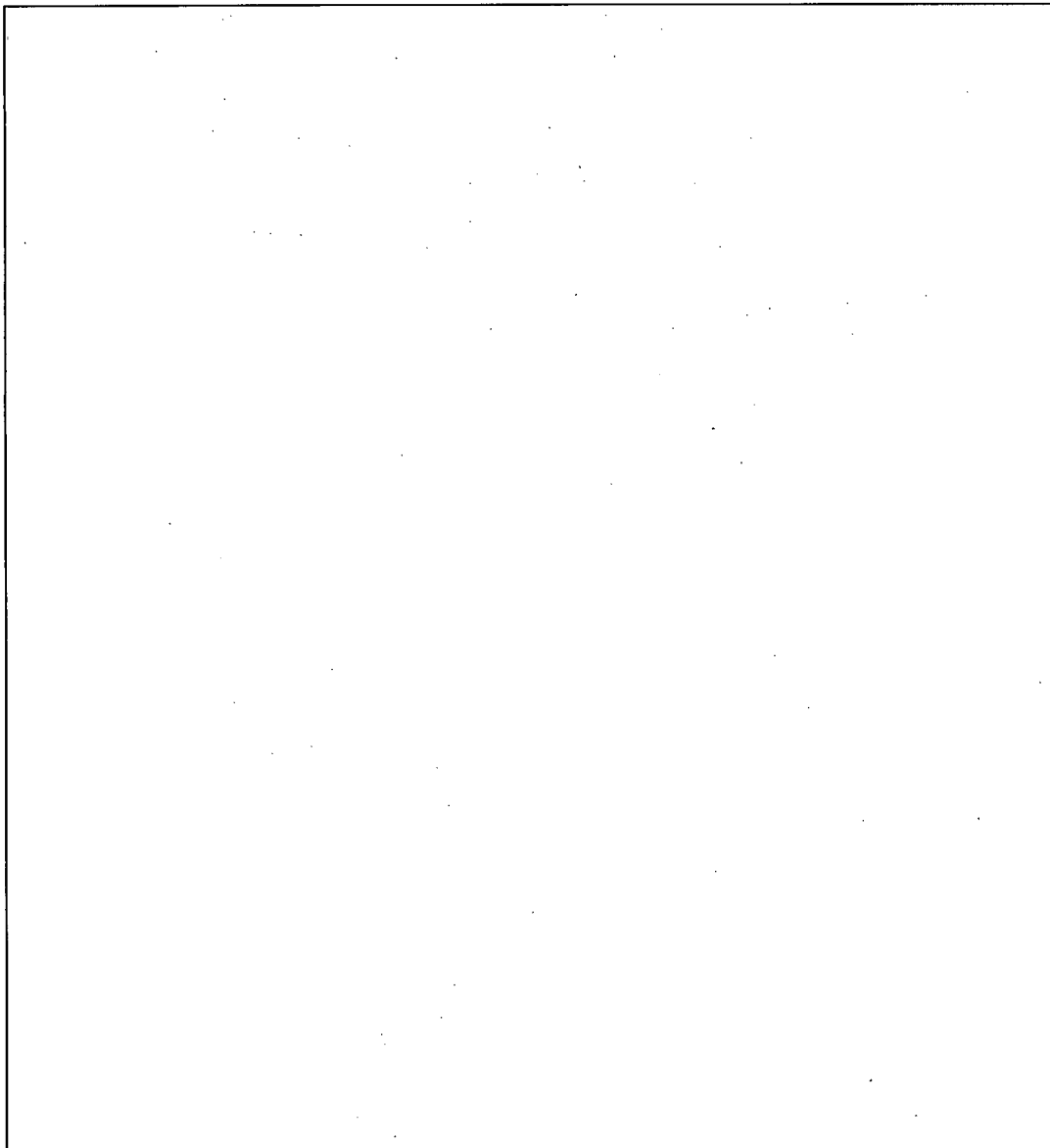
The surveying officer believes that, despite the still divergent views here and there as to the part CIA can and will play in time of armed conflict with an enemy, the present harmonious relationship existing between CIA and the Department of Defense with respect to unconventional warfare measures will result in satisfactory hot-war plans for the former within a reasonable period of time.



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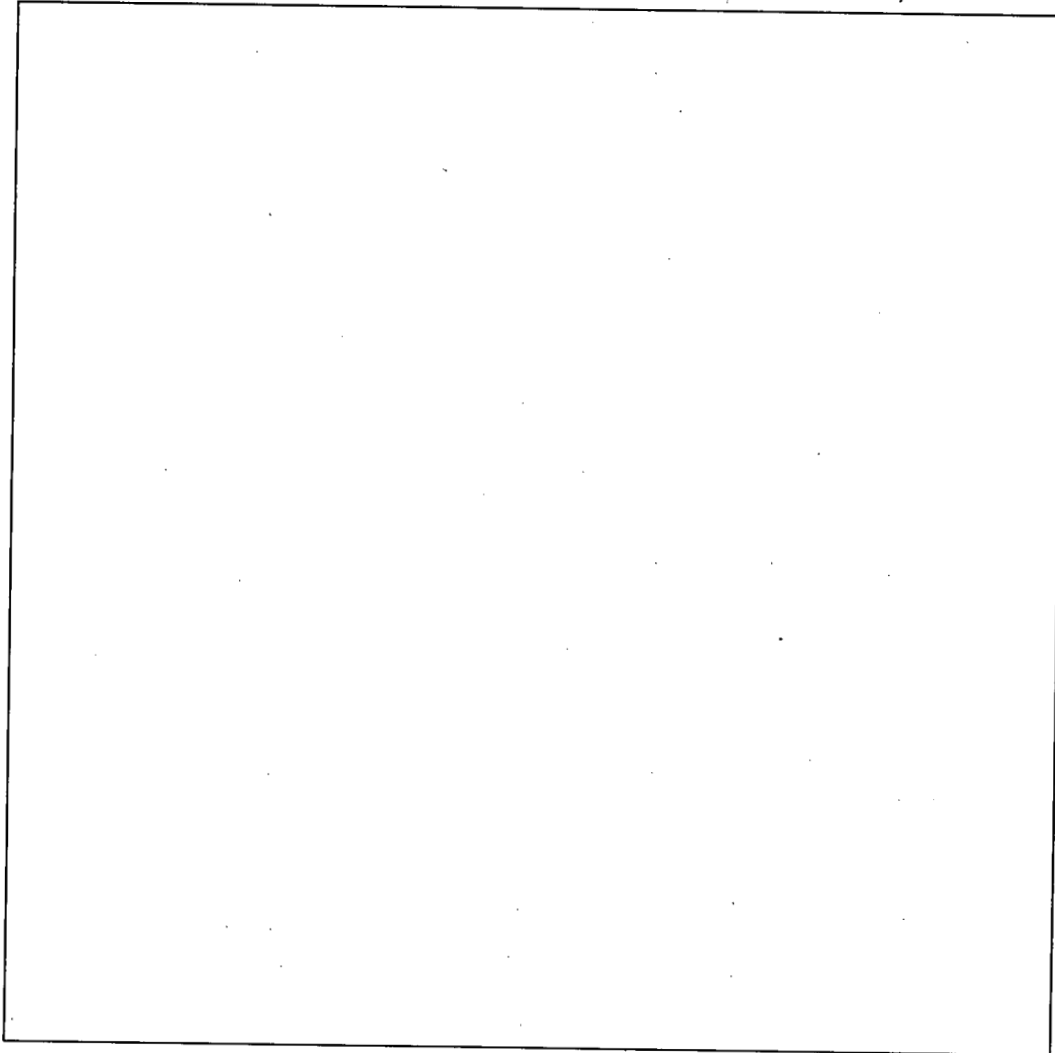


In case of global warfare, the Clandestine Services are preparing to develop and support guerrilla forces numbering . This estimate may be inaccurate, although arrived at through long and careful planning.

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Conclusion

That satisfactory progress is now being made in planning for the employment of CIA's paramilitary assets in time of armed conflict with an enemy of the United States.

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In the field of escape and evasion, the Clandestine Services have not yet been able to develop in the majority of the Iron Curtain countries, or in Southeast Asia, appreciable assets which may be utilized by the military and others in time of hot war. The priorities and requirements in this respect placed upon CIA by the military are at present beyond the former's capabilities. This program, responsibility for which was delegated to CIA by pertinent NSC directive, is being developed slowly due to the extraordinary security measures rigidly enforced in the Communist orbit. Some progress is being made by the Clandestine Services through careful, long-range planning. In the field of sabotage, the potential of the Clandestine Services within the satellite countries and the Soviet Zone of East Germany is great.

f. Foreign Intelligence

Approximately 18 percent of all raw intelligence being used by CIA is reportedly produced through covert foreign intelligence operations, or in connection with other covert activities. Information being obtained on the Soviet bloc, however, is far below the minimum requirements of the armed forces and is by no means commensurate with the output of intelligence which might reasonably be expected of an activity with the personnel and financial assets possessed by the Clandestine Services. Not enough attention has been paid in the past to Soviet targets, and the glamour and complexity of cold-war operations have served consistently to overshadow the less attractive but equally as important responsibility placed upon

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the Agency by NSCID No. 5 for conducting espionage and counterespionage and for the collection of foreign intelligence. At the beginning of this survey, a total of [ ] employees of the Clandestine Services were serving overseas [ ]

[ ]

While all of these engage to some extent in the production of foreign intelligence, a relatively small number devote full time to such effort. The Foreign Intelligence Staff (FI) and the Counter Intelligence Staff (CI) shown in Tab A comprise about [ ] persons. These staffs are too large and should be reduced materially, releasing every available individual qualified in covert intelligence collection for more useful duties in connection therewith. The area divisions engage in foreign intelligence operations, partly in response to requirements of the FI Staff, partly on their own initiative. The interests of cold-war projects however, take precedence with the average area divisional chief, often to the neglect of important foreign intelligence requirements placed upon him by the FI Staff. Thus, the lack of vertical control in the Clandestine Services previously commented upon militates against the best interests of the national intelligence community. Too much effort has been expended upon the perimeter of the Iron Curtain in comparison to that which should have been exerted against the USSR itself. A bolder attitude by the United States toward the Soviets would also have been of great assistance to CIA and military members of the intelligence community. Such assets as have been developed sporadically in the USSR by the

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Clandestine Services have usually disappeared mysteriously a short while after their creation. Agent infiltration into most of the satellite countries is not too difficult, but the information to be gained there is of little value concerning the USSR proper. Shallow penetrations of the USSR through the Baltic states have produced valuable intelligence. For each successful operation in this area, however, several others fail, and because of difficulties encountered there has been an unjustifiable lack of persistence in the program of penetrations. The situation offers a serious challenge and should be reexamined by CIA officials. The intelligence targets in the Soviet area assigned to CIA by the Interagency Priority Committee are often well beyond the collection capabilities of the DD/P Complex, as they have been developed since the organizational merger in 1952 and the initiation of the current extensive cold-war program. Long-range planning and intensified efforts toward the establishment of permanent intelligence assets in the USSR would have produced by this time a considerable amount of information. Agent attrition and costs involved, while an important factor, should have been of secondary consideration. Legal travel, increasing in volume to the USSR and its satellites, is now producing excellent, although yet limited intelligence, as are several organized clandestine projects of recent origin. The field of espionage and counterespionage against the Soviets has not yet been fully explored by CIA as a whole and deserves the best thinking on the part of its most capable and experienced personnel, as well as the establishment of an internal organization which can assure the proper discharge of the DCI's responsibility in this same field.

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Relatively little order-of-battle intelligence has been produced by the Clandestine Services as pertinent to the Soviet orbit, except in West Germany, where the so-called Gehlen Organization (German) reports on its extensive operations in East Germany and several of the satellite countries. Full use locally of the product of this most valuable CIA-sponsored and supported organization is not being made by Army Intelligence, except where information reported is confirmatory of intelligence derived from other sources. The questionably tenable position is taken that, since CIA refuses to divulge the individual sources of its information, no accurate appraisal of the worth of such intelligence can be made. The Gehlen Organization has effected penetration of the majority of Russian compounds in the Soviet Zone of East Germany and of airfields, depots, training areas, etc. Scarcely a movement of Russian troops or transport can be effected in this area without observation by agents of the Organization. The potential worth of this CIA asset for early warning of Soviet intentions in eastern Europe is obvious.

Most of the intelligence assets of CIA in China and North Korea have been liquidated by the Communist regime. The same situation as to difficulty of establishing continuing contacts, as applies to the USSR and its satellites, prevails in these countries. The surveying officer considers that the covert intelligence efforts of CIA in this area are not well conceived or pushed with sufficient energy.

As in the field of economic warfare, serious financial losses in Government funds were incurred in foreign intelligence projects in the early days of the cold-war program. Two combined foreign intelligence-propaganda-paramilitary projects, mainly to aid resistance elements in

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Poland through clandestine emigre groups and initiated in 1950, were penetrated by the Polish Security (Communist), and the Clandestine Services suffered a monetary loss of \$2,275,000 in these undertakings. These losses were due chiefly to poor advice to CIA by prominent Government officials and private citizens as to the bona fides of the emigre leaders, and to a lack of personal research and preliminary investigation on the part of DD/P personnel initiating and monitoring these same projects.

It was the expressed intent of NSC in creating the Office of Special Projects that its operations would be correlated with espionage and counterespionage activities already begun by CIA under the provisions of NSCID No. 5. It was not until July of 1952, as previously stated, that actual merger of the two components of the Clandestine Services was effected. While the Foreign Intelligence Staff and the Counter Intelligence Staff operate with a measure of independence, such operations depend largely for support upon the cold-war assets which the Clandestine Services have developed, such as cover, transportation, and supply. There is scarcely a cold-war operation which does not contain features pertinent to espionage or counterespionage. For this reason, DD/P officials have considered it necessary to mesh the working parts of covert intelligence collection with the mechanism developed for cold-war operation in such a way that each can be operated separately, or when the occasion demands, they work together as a unit serving the purposes of both. This arrangement, however sound in theory, has not proved efficient and has produced only a modicum of useful intelligence. There

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are disturbing deficiencies in many areas of Soviet intelligence being produced, coverage of which is of vital importance to the accuracy of any national estimate on the Soviet bloc. In this connection, it should be cited that, in creating the Central Intelligence Agency, it was the intent of Congress to provide an organization which would bear the sole responsibility for preventing a national disaster through surprise attack of an enemy, such as occurred at the outbreak of war with Japan. The current dearth of positive intelligence on the military strength or intentions of the USSR calls for rigorous action; therefore, in order that there can be a studied concentration of effort on the covert collection of foreign intelligence, those elements of the Clandestine Services currently engaged in such duties should now be removed from integration with the cold-war elements of the Agency and should form the nucleus of a reorganized, self-supporting, permanent secret intelligence unit composed of the best qualified Agency personnel, whose duties are to be related solely to the covert collection of foreign intelligence. The unit should be expanded as rapidly as possible to such strength as may be necessary to produce sufficient intelligence on the USSR to protect the best interests of national security.

Conclusions

- a. That the best efforts of CIA should be devoted to intensifying the program of espionage and counterespionage against Soviet targets;

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b. That those elements of the Clandestine Services engaged in covert collection of foreign intelligence should be removed from integration with the cold-war elements and should be reorganized as a self-supporting, permanent secret intelligence unit composed of specially selected individuals; this unit to be expanded as rapidly as possible to such strength as may be necessary to discharge properly the assigned responsibility of the DCI in the field of espionage and counterespionage.

g. The Defector Program

Under the authority of NSC 13 dated 19 January 1950, subject Exploitation of Defectors Outside the U.S., and NSC 14 dated 3 March 1950, subject Exploitation of Defectors Within the U.S., DCI Directive 14/1 dated 17 July 1950 appointed the Interagency Defector Committee (IDC), under the chairmanship of CIA and composed of one representative each from CIA, the Department of State, the Departments of the Army, Navy, and Air Force; AEC and FBI. Pursuant to the agreement reached by the PSB at its meeting of 9 April 1953, an OCB staff representative sits with the IDC when matters of policy are at issue. The IDC has no subcommittee structure.

The IDC, in implementation of NSCs 13 and 14, has forwarded operating procedures to U.S. diplomatic post and field stations throughout the world where defections might occur. IDCOP #2, published in June 1954, provides for the establishment in areas outside the United States of local defector committees patterned after the IDC to effect field coordination and insure maximum utilization of U.S. assets in the defector field. Detailed

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procedures for handling Soviet and satellite defectors are set forth according to area, as follows: the continental United States; Unoccupied Areas; U.S. Zone, Germany; U.S. Zone, Austria; and Trieste. From its inception early in 1951 to date, the Defector Program has resulted in the exploitation by the U.S. intelligence community of approximately 250 defectors from the Soviet orbit. Of these, some 20 have been high-level individuals with great intelligence value. Included in this group is a former lieutenant colonel of the Russian Intelligence and Security Service. The remainder have been mostly of low-caliber, but with some intelligence value. Forty percent of all these defectors are reported to be Russian. Consumers of intelligence report that the defectors are furnishing the cheapest and most comprehensive intelligence being obtained from the Soviet bloc.

The surveying officer visited the Defector Reception Center in Kronberg, Germany, [redacted] It is well run and defectors are given excellent treatment. Some dissatisfaction has been expressed by military intelligence officials with the program because (1) occasionally a prominent defector has been rushed to the United States from overseas, without local intelligence agencies having had opportunity to interrogate him; and (2) CIA has then either kept the defector incommunicado or for propaganda purposes has "surfaced" the individual before military intelligence agencies in Washington have had opportunity to interview him. The surveying officer finds from the evidence available that this complaint has had considerable justification in the past; that the action of CIA in some instances, however, was dictated by responsible State Department

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officials. A few defectors have been handled ineptly, to the embarrassment of the Government. In other instances, CIA personnel have apparently acted arbitrarily and without proper consideration of the interests of other members of the intelligence community.

The program for defector inducement world-wide has been recently intensified. Without reference to the ethics of the plan, it has one serious deterrent -- the extreme difficulty of resettlement of these same defectors, which is the responsibility of the DCI. NSC also made him solely responsible for the inducement program. Some American officials abroad expressed to the surveying officer a keen resentment for what they termed official pressure being placed upon them to personally induce defection of high-level Soviet and satellite diplomatic and other personnel.

It is reported that, of the high-level defectors to date, practically all defected of their own accord and without inducement. With this in mind and in admission of the value of intelligence obtained thus far by the Defector Program, the surveying officer points out that, while the scheme for defector exploitation is sound, any organized inducement effort by American diplomats and military officials serving overtly abroad is so debasing to dignity and so unsavory in nature that, unless handled with greatest discretion, it can but in the end accomplish serious harm to our international prestige. The continued clear propaganda media being employed for informing the Soviet bloc of U.S. intentions for reception and protection of all bona fide defectors, as well as the plan for their subsequent exploitation for intelligence and propaganda purposes, are fitting to our cold-war program. The organized inducement phase of the program, however, appears to be going

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beyond the reasonable limits to which it should be pushed.

Conclusion

That the inducement phase of the Defector Program, as applicable to U.S. diplomatic and military representatives serving overtly abroad, is apt to prove injurious to our international prestige.

V PERSONNEL

Tab B-1 shows the status of all individuals on duty with the Clandestine Services as of 31 October 1954. This chart also reflects the Table of Organization figures and categories of all personnel. The total figure of [ ] is composed of [ ] civilian staff members; [ ] assigned military personnel from all of the services; and [ ] contract personnel. Of these, [ ] are serving overseas. These figures do not include the large number of minor foreign (indigenous) agents hired from time to time on individual clandestine projects. It was noted during the survey that there is an acute shortage of clerical personnel. This condition has been brought about primarily by unreasonably high standards of education required in recruitment of such personnel, many of whom have soon found better paying positions elsewhere and sometimes actually with the Agency itself. This condition is being slowly corrected by more realistic recruiting measures.

The huge number of additional personnel needed for the creation of the cold-war setup in CIA placed a heavy burden on the Agency in the acquisition or transfer of officials believed competent to perform the duties of staff directors, division and subdivision chiefs of the

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newly created activity. There was initially no organized recruiting program for this purpose and individuals for these assignments were acquired largely upon personal recommendations of officials of the Agency, of the State Department, and others. At this time premium was placed upon profound scholarship, to the exclusion of the quality of practicability, and there was an ensuing influx of graduates of old-line East Coast universities, who were placed immediately in high administrative positions. Most of these individuals, although splendidly educated and with excellent family background, were ill-equipped by previous environment or training for the grim duties incident to any successful cold-war program. Some of those selected to responsible positions soon plunged their organizational elements deeply into the realm of geopolitics - from which not all have yet been extricated - and neglected sadly their primary mission pertinent to pursuit of cold-war strategy and the clandestine collection of intelligence. Save for a leaven of former OSS personnel and FBI agents during this same early period of operation, the cold-war program must have lagged badly.

During its formative stage, there was an outstanding need for a small number of patriotic and competent business executives, with valuable background and experience, to serve in advisory capacity in the Office of Special Projects, and for a considerable number of capable and experienced retired officers or warrant officers of the armed services to be used here and there in key positions. Limitations placed upon the Agency with respect to hiring retired military personnel by the Central Intelligence Agency Act of 1949 prevented the latter action, even were it contemplated. Until such time as training and experience will produce qualified advisory and supervisory personnel in

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sufficient numbers, the cited need will continue. The surveying officer, while concurring completely in the apparent will of the Congress that CIA be strictly a civilian agency of the Government, expresses the belief that for the continued period of the next ten years it would be to the best interest of the Government to relax the limitations of law with respect to the hiring of retired officers or warrant officers by CIA, and that the Agency should be encouraged to explore the domestic business realm with a view to obtaining high-type individuals suited for the purpose indicated. Such actions would not seriously disrupt the career continuity of regular civilian employees of the Agency, the vast majority of whom are yet years removed from experience necessary to assume key administrative positions. The Clandestine Services have acquired many fine young men and women in recent years. Training of these is continuing satisfactorily at present, although greatly hampered in some phases of clandestine training, which is handled by instructors attached to the overt side of the Agency. The DD/P Complex has yet far too few trained specialists in the field of overt collection of foreign intelligence. There is an acute shortage of linguists for wartime use, and the program of the Agency to produce these in the future is inadequate to meet the projected needs of the Clandestine services.

The necessary close compartmentation practiced in the DD/P Area for security reasons is not conducive to high esprit de corps. Such a system, for good morale purposes, requires keen personal interest and strong leadership on the part of individual staff heads, as well as frequent personal contacts with all working elements under their supervision. It was noted in some divisions and sections of the Clandestine Services that such interest and leadership were absent, to the detriment of the interest and efforts of personnel employed therein. This comment is applicable,

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also, to the DD/P himself. Many section chiefs and old employees of the Clandestine Services not only have not met him but also do not even recognize him by sight.

Tab B-2 shows the grades of civilians assigned to the Clandestine Services. The average rating is slightly above GS-9, which compares favorably with other Government agencies, exclusive of the armed forces. Some military personnel in the Asiatic and Pacific areas complained of proselytism on the part of CIA officials in the same areas, who, because of higher wage scale offered, were able to lure away civilian personnel serving with the military.

Conclusions

- a. That CIA should be permitted by law to hire additional retired officers or warrant officers of the armed services, and should be encouraged to obtain suitable business executives for employment in the DD/P Complex.
- b. That the program for training of specialists in covert intelligence collection and for the development of linguists should be intensified.

VI BUDGET

Tab C shows the overall cost of DD/P missions for FY 1954 as

[ ] , with direct costs of operations, as follows:

FI .....	[ ]
PP .....	
FM .....	
Total .....	

The total overall budget projected for DD/P missions for FY 1955 is shown as [ ] , and the direct costs of operations (exclusive of support), as follows:

FI .....	[ ]
PP .....	
FM .....	
Total .....	

As of 31 January 1955, funds from the FY 55 budget had been expended for direct costs of operations, as follows:

FI .....	
PP .....	
FM .....	
Total .....	

The total overall budget projected for DD/P missions for 1956 is shown as  with direct costs of operations, as follows:

FI .....	
PP .....	
FM .....	
Total .....	

It will be noted that the estimated total direct cost of operations of DD/P for FYs 1955 and 1956 are identical, although allotments as to types of operations are somewhat dissimilar for the separate periods involved.

Support costs are not pro-rated by the Agency according to dollar value of type projects, and it will be noted from Tab C in this respect that FI projects receive the greatest proportion of support cost. This is reportedly due to the multitude of such projects, mostly small, which consume a major share of manhours of work in Agency staffing.

Preparation of the annual budget for the Clandestine Services has been in the past the responsibility of the respective division chiefs, each in his own area and in conformance with his so-called country plans for covert operation. Each has then presented personally his budget and operational plans to the CIA Project Review Committee (PRC), headed by the Deputy Director of Central Intelligence and composed of key Agency officials, mostly from covert components thereof. A change in this method of preparation and submission of the budget is considered necessary.

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This would envisage its preparation under the supervision of each covert component chief prior to its presentation as a whole for that component to the PRC. Such action, from the viewpoint of good staff procedure, is preferable to the present system and will lend itself to economy, efficiency, and better authoritative control.

Conclusion

That the practice of submission of the individual area budgets by the area divisional chiefs to the PRC should be discontinued, and the budget should now be prepared under the supervision of each covert component chief and submitted as a whole for that component to the PRC.

VII SECURITY

A check of the security system of the Agency was made jointly with the survey team of the Task Force on Intelligence Activities reporting upon the overt components of CIA. The favorable comments and conclusions of that team as to the adequacy and effectiveness of security measures being enforced in the Agency are concurred in. Every reasonable precaution to protect the best interests of the Government, security-wise, both domestic and overseas, is being exercised. The system is efficient, comprehensive, and well directed.

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## VIII MISCELLANEOUS

### a. Technical Services Staff

This large division of the Clandestine Services [redacted] is composed of technical experts and scientists engaged in research in connection with special items peculiar to the needs of the DD/P Complex; the creation of necessary documents for agents engaged in espionage; the provision of items of apparel, disguise, and equipment for these same agents. The division has perfected many ingenious sabotage and demolition devices, as well as lethal weapons for unconventional warfare. It operates an amazing assortment of shops and laboratories in connection with its functions. It was reported by CIA personnel in the field that clandestine listening devices now being furnished to them are unsatisfactory in that their efficiency is short-lived - from three to six months. They consider that this period is not sufficient to permit ample intelligence return for the difficulty and cost attending installation of these same devices.

### b. Proprietary Projects

As of 30 September 1954 the Clandestine Services were operating [redacted] proprietary projects at a total annual cost of [redacted]

[redacted] The total of the proprietary entities involved is in excess of [redacted]. Most of these are cover agencies for large-scale clandestine operations. One of the largest, the Civil Air Transport (CAT), operating in the Far East and consisting of 33 passenger and freight-type airplanes, employs 2,000 persons, of whom 200 are Americans.

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This project came into existence as a result of conferences late in 1949 and early 1950 among the Secretary of State, the Secretary of Defense, and the DCI. The consensus of these conferences was that CIA should take over the airline in order to prevent its assets falling into Communist hands. The venture has resulted in an average monthly loss to CIA of \$80,000. It has been reviewed recently by OCB, which decided to continue its operation for implementation of national policy in the Far East and for the furtherance of CIA objectives in that area. In 1954, the Agency was directed by NSC to develop and maintain within CAT a stand-by capacity of 12 planes in readiness for use in any emergency which might arise in the Far East or other areas, and which might require support not directly attributable to the U.S. Government.

Many of these proprietary projects, in addition to losing money, have been unsuccessful in accomplishing their purpose due to a lack of business acumen and proper planning on the part of DD/P personnel initiating and supervising them and the practice in the past of bypassing the General Counsel, the Comptroller, and the Commercial Division, on the grounds of security, when such undertakings were begun. The Commercial Division is now liquidating  of these proprietary projects in an effort to salvage as much of their tangible assets as may be possible.

g. Project Control Measures

As a result of experiences gained in trial-and-error procedures of operation since the inception of the cold-war program, the Agency has gradually instituted a series of satisfactory operational controls.

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These are well conceived and are designed to insure a careful consideration by competent CIA representatives of covert projects. The creation of a Project Administrative Plans Staff (PAPS) in 1953, to sit as a board in the DD/P Area for the examination and evaluation of cold-war projects, is doing much to eliminate the lack of proper planning which has heretofore so often characterized the larger DD/P undertakings. At the meetings of this board, a representative of each component of the Agency, overt as well as covert, who may have interest in the project, sits at the hearings. Final approval of the board is not forthcoming until each interested member of the conference has signed off for his element. The surveying officer is of the opinion that, except in small operations and for rare cases handled on a crash basis, where for the sake of expediency or national security this procedure cannot be followed, covert operational projects should continue to be rigidly handled in this manner. No other reason should be considered of sufficient importance to warrant a departure from this excellent channel of control. The Project Review Committee, previously referred to in discussion of the DD/P budget, has the responsibility for final approval for covert operational projects, which are submitted by PAPS, together with an administrative annex to provide guidance to personnel initiating and supervising these same projects. The Inspection and Review Staff of the Clandestine Services is both active and efficient. This staff  in addition to providing annual general inspection of elements of the DD/P Complex, both domestic and overseas, gives splendid coverage to large operational projects which are proving, or have proved, unprofitable, insecure, or inefficiently managed.

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d. Auditing

The Agency has a staff of [ ] auditors engaged in constant examination of accounting procedures and disbursements of funds, both overt and covert, domestic and overseas. In addition, [ ] auditors are employed full time on proprietary projects of the DD/P Complex. While the work being done by all these is of great value, audit coverage on the covert side of the Agency is inadequate and many large accounts receive scrutiny on a too infrequent basis to protect properly the interests of the Agency and of the Government. With proper audit in the past large amounts could have been saved in major operations, especially in the larger proprietary undertakings. The huge sums spent by CIA world-wide in the cold-war effort should receive complete local audit cognizance at least on an annual basis. This is impossible with the relatively small number of auditors available for this purpose at the present time. With wider coverage, significant savings to the Government could undoubtedly be effected and the relative cost for such coverage would be small compared to the benefits to be derived therefrom. The so-called "unvouched funds" of CIA, often the subject of criticism and conjecture on the part of individuals, and occasionally of the press, were found to be meticulously handled and accounted for. The opinion is expressed that, except for a shortage of auditors, the operational controls now being exercised in the Clandestine Services, with respect to funds being expended, are satisfactory. There has crept slowly into the organization a cost consciousness, or tax-payer interest, to the extent that the average venturesome covert project, once recklessly launched without sensible appraisal, is now considered by responsible officials as deserving of careful estimate to determine whether

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the gain to be expected in the undertaking is worth the risk of cost involved.

Conclusion

That the number of auditors of the regular CIA Audit Staff should be increased materially.

IX SPECIAL COMMENT

The surveying officer finds that, with the exceptions noted herein, the Clandestine Services are being operated satisfactorily and in consonance with the intent and directives of NSC. It is desired further on the positive side to point out again the tremendous task imposed upon the Agency by the creation and operation of the Office of Special Projects - now a part of the DD/P Complex. Great progress has been made in carrying out the cold-war responsibility of the DCI and CIA. It is desired to stress again, however, that the administrative and organizational shortcomings revealed by this survey will continue to decrease the efficiency of operation of the Clandestine Services, unless corrected. The surveying officer found everywhere conscientious efforts being exerted toward the successful performance of the cold-war mission of the Clandestine Services. As pointed out hereinbefore, the program for covert collection of foreign intelligence has not been successful, due largely to organizational defects, misdirection, and lack of perseverance. There is need for greater efforts to establish long-range deep cover for personnel serving covertly overseas;

[redacted] The de-  
[redacted] velopment of permanent world-wide cold-war and intelligence assets by CIA

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will of necessity be slow, particularly in the fields of escape and evasion, espionage and counterespionage. The psychological warfare program of the Clandestine Services, hampered by outside influence as it has been, is unquestionably far better than has heretofore been developed in our nation. The Agency should be given reasonable time to develop satisfactory covert intelligence and paramilitary assets.

The operation of the Clandestine Services by CIA thus far, unfortunately, has not been without friction. Like the history to date of CIA itself, open distrusts have been engendered here and there in the intelligence community through various jealousies and misunderstandings. Complaints against the Agency appear to be based upon the alleged fact that other intelligence agencies, more particularly those of the military, are not informed sufficiently of CIA's cold-war activities; that CIA is too reluctant to reveal either its cold-war assets or operations, or its sources of raw covert intelligence. These complaints appear to center around the interpretation of paragraph 4b, NSC 5412, dated 15 March 1954, now superseded by NSC 5412/1, dated 12 March 1955, which places responsibility on the DCI for:

"b. Informing, through appropriate channels and on a need-to-know basis, agencies of the U.S. Government, both at home and abroad (including diplomatic and military representatives), of such operations as will affect them."

From a study of the situation over the period of this survey, the surveying officer concludes that there is a sound basis of law and NSC directives for extreme secrecy on the part of CIA cold-war officials in carrying out the details of covert operations. The problem posed seems to bear upon (1) the status of an intelligence agency of the Department of Defense,

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within the meaning of the quoted paragraph; and (2) the question of need-to-know basis. Clandestine Services officials point out rightly that to give information to other agencies or officials of the Government concerning the details of CIA's cold-war operations merely because of their positions in the Government would quickly result in a loss of security in the entire program. On the other hand, there is evidence here and there of a lack of "need-to-know" knowledge on the part of some commanders in overseas theaters of operation, where local covert intelligence, psychological warfare, and paramilitary operations of CIA will affect, or are affecting, the military. It appears indicated that general overall capabilities of CIA in such areas, as well as those current or contemplated operations which may affect the military, should be revealed to the theater commanders, but not the intelligence assets or sources, or details of operations, and only so much of CIA's immediate paramilitary potential should be revealed as may be necessary to the establishment of an unconventional warfare plan to be coordinated with the military. In view of the existing state of discord and disagreement among the principals to the argument, a specific interpretation of the disputed paragraph of the directive concerned, as far as it may affect the several members of the intelligence community, should be made by WSC. The surveying officer considers that the controversy cited has reached a stage of impasse warranting such action in the interest of understanding and harmonious relationship.

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Conclusions

- a. That greater effort should be exerted to establish long-range deep cover for CIA personnel serving covertly abroad.
- b. That, in the interest of understanding and harmonious relationship, the controversy over the interpretation of paragraph 4b, NSC 5412/1, should be resolved by NSC.

Special Note

The members of the task force assigned to survey the covert components of CIA have reported in detail upon the subjects of personnel, training, logistics, comptroller activities, security, and communications. Only limited comment upon some of these same subjects, as applicable to the Clandestine Services, has been made in the foregoing report.

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X SUMMARY OF CONCLUSIONS

It is concluded -

That the Office of Special Projects - now a part of the Clandestine Services - should be continued as a component of CIA (p. 10).

That internal reorganization should be effected in CIA to provide:

a. The removal of those elements of the Clandestine Services engaged in covert collection of foreign intelligence from integration with the cold-war elements, and their reorganization as a self-supporting, permanent secret intelligence unit; this unit to be composed of specially selected individuals and to be expanded as rapidly as possible to such strength as may be necessary to discharge properly the assigned responsibility of the DCI in the field of espionage and counterespionage (p. 39).

b. The establishment of the Office of Special Projects - now a part of Clandestine Services - as a self-supporting component of CIA, operating independently of other components of the Agency, as was the intent of NSC at time of creation of the Office of Special Projects (p. 19).

c. Rigid lines of control and staff procedure pertinent to these separate components, eliminating entirely the independence of area divisional chiefs and overseas elements, so that all dealings with these same separate components by the DCI, and vice versa, are effected through their respective chiefs (p. 11).

That suitable steps should be taken at NSC level to establish firm budget allocations for CIA's clandestine psychological warfare program (p. 25).

That satisfactory progress is now being made in planning for the employment of CIA's paramilitary assets in time of armed conflict with an enemy of the United States (p. 32).

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That, because of the failure heretofore to obtain sufficient positive intelligence on the USSR, the best efforts of CIA should be devoted to intensifying the program of espionage and counterespionage against Soviet targets (p. 36).

That the inducement phase of the Defector Program, as applicable to U.S. diplomatic and military representatives serving overtly abroad, is apt to prove injurious to our international prestige (p. 42).

That CIA should be permitted by law to hire additional retired officers or warrant officers of the armed forces, and should be encouraged to obtain suitable business executives for employment in the DD/P Complex (p. 45).

That there is a shortage of trained specialists in covert intelligence collection and of linguists (p. 45).

That the practice of submission of the individual area budgets by the area divisional chiefs to the Program Review Committee should be discontinued and the budget for each covert component should be prepared under the supervision of its chief and submitted as a whole for that component to the PRC (p. 47).

That the number of auditors of the regular CIA Audit Staff should be increased materially (p. 52).

That greater effort should be exerted to establish long-range deep cover for CIA personnel serving abroad (p. 55).

That, in the interest of understanding and harmonious relationship, the controversy over the interpretation of paragraph 4b, NSC 5412/1, should be resolved by NSC (p. 55).

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## XI RECOMMENDATIONS

It is recommended -

That the following changes in the internal organization of CIA be effected:

a. Remove those elements of the Clandestine Services engaged in covert collection of foreign intelligence from integration with the cold-war elements and reorganize them as a self-supporting permanent secret intelligence unit; this unit to be composed of specially selected individuals, and to be expanded as rapidly as possible to such strength as may be necessary to discharge properly the assigned responsibility of the DCI in the field of espionage and counterespionage.

b. Make the Office of Special Projects - now a part of the Clandestine Services - entirely self-supporting and operate it independently of other components of the Agency.

c. Establish rigid lines of control and staff procedure pertinent to these separate components, eliminating entirely the independence of area divisional chiefs and overseas elements, so that all dealings with these same separate components by the DCI, and vice versa, are effected through their respective chiefs.

That the program of espionage and counterespionage against Soviet targets be intensified.

That the proposed annual budget of the Central Intelligence Agency for psychological warfare purposes, together with its proposed allocations, be submitted by the Director of Central Intelligence to the National Security Council for approval; that thereafter changes in the approved program deemed necessary by the Secretary of State or the Secretary of

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Defense, be formally presented by him to the Planning Coordination Group of the Operations Coordinating Board.

That the inducement phase of the Defector Program, as applicable to active participation by diplomatic and military representatives serving overtly abroad, be discontinued.

That the program for training of specialists in covert intelligence collection and for the development of linguists be intensified.

That the practice of submission of individual budgets by the area divisional chiefs to the Project Review Committee be discontinued; that the budget for each covert component be prepared under the supervision of its chief and submitted as a whole for that component to the PRC.

That the number of auditors of the regular CIA Audit Staff be increased materially.

That greater efforts be exerted to establish long-range deep cover for CIA personnel serving covertly overseas.

That the National Security Council render a specific interpretation of the provisions of paragraph 4b, NSC 5412/1, as it affects the several members of the intelligence community.

#### XII LEGISLATIVE REQUIREMENT

It is recommended that action be taken to amend the Central Intelligence Agency Act of 1949 to provide authority for the employment by CIA of "any" (instead of only 15 as is now authorized) retired officers or warrant officers of the armed services.

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1ST ENDORSEMENT

To: The Chairman of the Commission on Organization of the Executive  
Branch of the Government, Washington 25, D.C. May , 1955

We have reviewed with interest the report of the surveying officer and concur in his recommendations, except for the first recommendation, which is in three parts.

With respect to the excepted recommendation, the most disturbing finding of the task force is that our intelligence community as a whole is not producing enough "raw" intelligence information from behind the Iron Curtain. In plain words, we are not getting the information we need on the plans, actions, and potentialities of Soviet Russia, Communist China, and their neighboring satellites.

Security measures adopted by the Communists have been provokingly conceived and boldly employed. They have been quite effective, in comparison with our security measures, which have permitted the collection of vital secrets in this country with relative ease. The information we need, particularly for our Armed Forces, is potentially available. Through concentration on the prime target, we can and must get it. Success in this field depends on greater boldness at the policy level, a willingness to accept certain calculated political and diplomatic risks, and full use of technological capabilities.

The CIA has been charged by the ESC with the general responsibility for collecting foreign intelligence. Unfortunately, organizational weaknesses and lack of proper directional control and persistence in execution of a well-planned program for this purpose have militated

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against the measure of success which might reasonably be expected from the personnel and financial assets possessed by CIA.

A majority of the task force members further believe that those elements of the current Deputy Director of Plans area of responsibility that are now engaged in the covert collection of foreign intelligence should be removed from close integration with the "cold-war" elements of that responsibility, and that the covert intelligence and cold-war functions of that area each be assigned to the exclusive jurisdictional control of a separate Deputy Director of Intelligence, with the area of responsibility of each made administratively and logistically self-supporting. However, a minority of the task force feels that both covert intelligence and cold-war operations should be under both the staff and operating control of a single director, but with two deputy directors at staff level to handle these two functions separately and exclusively.

The task force also is of the opinion that the Director of Central Intelligence should reestablish the office of the Executive Director of the Agency, so that the DCI may be relieved of the chore of many day-to-day administrative and operational problems, and thus be able to give more time to the broad overall direction of the Agency.

Accordingly, the task force makes the following recommendation, in lieu of the initial recommendation of the surveying officer:

THAT THE "COVERT INTELLIGENCE" FUNCTIONS AND THE "COLD-WAR" FUNCTIONS OF THE DEPUTY DIRECTOR OF PLANS AREA IN THE CENTRAL INTELLIGENCE AGENCY EACH BE ASSIGNED TO THE JURISDICTIONAL CONTROL OF A SEPARATE DEPUTY DIRECTOR, THE AREA OF RESPONSIBILITY OF EACH OF WHOM SHALL BE MADE ADMINISTRATIVELY AND LOGISTICALLY SELF-SUPPORTING; AND

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THAT THE PART OF THE AGENCY DIRECTIVE OF JULY 15, 1952,  
APPOINTING THE AREA DIVISIONAL CHIEFS AS EXECUTIVES OF THE DCI  
AND PROVIDING FOR THEIR DIRECT DEALINGS WITH HIM AND SENIOR  
OVERSEAS REPRESENTATIVES BE RESCINDED; AND

THAT THE DIRECTOR OF CENTRAL INTELLIGENCE REESTABLISH THE  
OFFICE OF THE EXECUTIVE DIRECTOR OF THAT AGENCY.

As thus amended, the task force concurs in the recommendations of  
the surveying officer.

MARK W. CLARE, Chairman  
Task Force on Intelligence Activities

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