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MEMORANDUM FOR: AD/DCI/IC

SUBJECT : Security Review of Annexes to Murphy
Commission Report

1. Per your request, the annexes to the Murphy Commission Report were reviewed with appropriate authorities for security including the Chairman, COMIREX, the Executive Secretary, SIGINT Committee, the Security Advisor to the Director, NRO, and the Chief, Special Security Unit, DDO/CIA.

2. Based on present policy contained in the November 1973 Presidential decision that "the fact that the United States Government conducts a photographic satellite reconnaissance program for foreign intelligence collection be classified SECRET," it was felt advisable to technically sanitize the texts of a number of references to "satellite photography." In most cases the sanitization consists of substituting such terms as "reconnaissance photograph," "overhead" or "technical" for the term "satellite." If these substitutions are acceptable to the Commission, the unclassified texts will be technically correct from a security classification point of view with little change in meaning for the average reader.

3. Robert Macy's annex on "Issues on Intelligence Resources Management" discusses the management arrangements which apply to the satellite programs. The discussions include descriptions (without specifics) of the NRP ExCom arrangements and the joint DDO/CIA program sponsorship and management. While technically unclassified the discussion is the most extensive and direct that has appeared at the unclassified level in an official document. [] writing as the TALENT Control Officer, CIA, expresses the opinion that this issue presents a more direct security problem and feels it will invite additional probing and add to the NRO's problems of maintaining

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NRO and DOS review(s) completed.

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security discipline. The Security Advisor to the Director, NRO, shares this opinion. He feels that if the "fact of" the reconnaissance program is SECRET, then discussions of its management authorities should also be classified SECRET. Further, he mentioned that the Secretary of Defense in recent discussions with Mr. Thomas Latimer said that no more material or information about the satellite program should be released. Accordingly, substitute language or deletions of this material are proposed.



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and this is recommended in the report of review. Substitute language for his references to satellite photography is also proposed.

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5.  as the Executive Secretary of the SIGINT Committee, reviewed Mr. W. J. Barnds' annex titled "Intelligence and Policymaking in an Institutional Context." He recommends two deletions based upon concern with mention of cryptanalysis and traffic analysis in the text. The proposed deletions do not significantly detract from the context and may be acceptable to the Commission.

6. The Chief, Special Security Unit, DDO/CIA, reviewed T. G. Belcher's annex, "Clandestine Operations." He noted nothing of security concern in the text.

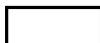
7. We note that page iii was missing in the summary of Barnds' study, "Intelligence Functions."

8. The report of the security review has been prepared for transmittal as an attachment to a letter from you to Mr. Francis O. Wilcox who requested the review on 25 March 1975. The letter and report are attached.



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Attachments

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CLANDESTINE OPERATIONS

by

T. G. Belcher

TABLE OF CONTENTS

*200
OK - Paul Reems 4/9/78*

	<u>Page</u>
I. Summary	1
II. The Image Today	6
a. Pejorative Comments	7
b. Pro Covert Action Comments	8
c. Pro and Con Examples	10
III. A Covert Action Capability or Not?	11
a. Problems and Dangers	12
b. Organization of the Clandestine Services - Definitions, Examples	16
c. Organization of CIA for Action Programs - Research and Analysis	19
IV. Criteria for Action	23
a. Monitoring Detente and Economic Interests	23
b. Third World Interests	24
c. Narcotics Control - A New Field	24
d. A Non-Military Capability	25
e. Follow-up Needs	25
f. Risks of Exposure	26
g. Alternative Action	28
h. When To Use Intelligence	29
V. The Question of Adequate Control	30
a. Better use of Existing Provisions	32
b. The 40 Committee - Weaknesses and Suggestions	33
c. The Need for Secrecy and Penalties	35
d. Joint Congressional Committee Pros and Cons	37
e. Other Oversight Groups	39
f. The Need for Vigilance and Leadership	41
VI. Recommendations for Consideration by the Commissioners	44

CLANDESTINE OPERATIONS

T. G. Belcher
11/6/74
Third Draft

TABLE OF CONTENTS

	<u>Page</u>
I. Summary	1
II. The Image Today	6
a. Pejorative Comments	7
b. Pro Covert Action Comments	8
c. Pro and Con Examples	10
III. A Covert Action Capability or Not?	11
a. Problems and Dangers	12
b. Organization of the Clandestine Services - Definitions, Examples	16
c. Organization of CIA for Action Programs - Research and Analysis	19
IV. Criteria for Action	23
a. Monitoring Detente and Economic Interests	23
b. Third World Interests	24
c. Narcotics Control - A New Field	24
d. A Non-Military Capability	25
e. Follow-up Needs	25
f. Risks of Exposure	26
g. Alternative Action	28
h. When To Use Intelligence	29
V. The Question of Adequate Control	30
a. Better use of Existing Provisions	32
b. The 40 Committee - Weaknesses and Suggestions	33
c. The Need for Secrecy and Penalties	35
d. Joint Congressional Committee Pros and Cons	37
e. Other Oversight Groups	39
f. The Need for Vigilance and Leadership	41
VI. Recommendations for Consideration by the Commissioners	44

SUMMARY

The present image of the CIA and of our covert action capability and programs is depressingly bad. Pejorative adjectives abound: omnipresent, powerful, operating under a debilitating cloud of suspicion. The Agency has too many of the resources and instruments of foreign policy under its control.

Too much has been written about our "secret" service. CIA successes have been as heralded as its failures - it is too widely publicized for a largely clandestine operation. More recently the flow of critical articles and books has become a spate.

The case for and against the clandestine services' collection and operations activities has been eloquently set forth by DCI Colby, Lord Chalfont, Nicholas Katzenbach, Marchetti and Marks and last but not least, President Ford. Despite opinions and positions strongly held, there is no feasible way to measure past successes and failures and determine in this fashion whether it makes sense to continue. Whatever the assessments may be, it is obvious that we shall maintain a service in being and undertake "operations" when deemed necessary by the highest authorities. This is the position supported by this paper.

The problem then becomes one of appropriate criteria for action and sufficient controls both before launching and during the course of a project as well as ex-post facto assessments of value gained or lost.

- 2 -

In any discussion of this problem it is obvious that there is a confusion in terms. Clandestine collection activities are not as distinct from covert actions as some observers apparently think. There are many such operations which involve us in all the dangers and have many of the characteristics of covert actions. There are examples of collection programs which have involved us in very difficult situations - Decision making for major collection activities should, therefore, be at least as exhaustive as for covert action and responsibility should lie with the 40 committee.

STATINTL

Collection and action officers should be in the same service, otherwise too many wires would be crossed. The problem of "cover" would be even worse if this were not the case. The CIA presence abroad is already too apparent.

There is a generally expressed belief that covert operations have been too widely used and that they should be limited to those which are in the vital national interest as determined at the very highest level in government. Furthermore, that the decision to act should include a recognition of what may be needed to follow up success or, in case of failure, to minimize the costs of disclosure, including the effect on contacts, agents, etc. in the host country.

All overt alternatives must be thoroughly considered before opting for covert action. The present system gives

- 3 -

the CIA an "action potential" which must be more closely controlled. Too often information is developed which cannot be used for fear of jeopardizing an agent. There is a temptation to use such information ourselves in an action program of our own devising.

The case for and against the physical separation of DDI and DDO has been presented in numerous commentaries. The advantages of separation do not appear to me to outweigh the disadvantages and this paper recommends against separation of the two functions.

The basic question is one of adequate control over clandestine operations and covert actions. It has been alleged that control at present is a fiction. This seems to overstate the case since it is a failure to use the control mechanism rather than the lack of one that we note today. While there are viable possibilities of change in the system, on balance the best course is to tighten the existing procedures by widening the "clearance" circle and broadening the membership of the 40 Committee and its staff.

Some observers would require additional "safeguards", such as Presidential certification that a given program is in our vital national interest. A step further, which has constitutional problems, is the suggestion that the 40 Committee include four members of Congress and that the minutes of meetings be available to be read in executive session of the various oversight committees.

- 5 -

Ex post facto review and control by PFIAB and NSCIC, (as distinct from initial approval which remains in the 40 Committee) can and should be improved, along with greater vigilance in the field by Ambassadors and key country team members. Adequate machinery is in being; we need to re-vitalize and use it, but effective use depends on Presidential and Secretary of State leadership as well as continual vigilance and queries by the Congress and the media. Secret Services are as effective or ineffective as the governmental entities that control them.

- 6 -

THE IMAGE TODAY

A recent New Yorker cartoon showed two peasants in the foreground and a new volcano in the distance. One says to the other: "Pass it on - the CIA did it". Much, much more has been written or spoken in the same vein.

The image, as Hilsman said in "To Move a Nation" almost ten years ago, is "of an omnipresent, pervasive CIA, ubiquitous active, powerful, a finger in every pie." It has not improved!

Ransom writes *that the CIA has become a foreign policy liability and its status at home remains under a serious and debilitating cloud of suspicion."

While it is a subject of much current argument whether or not the CIA is a 'secret service' which merits such comment, there is a general feeling of unease regarding the power and influence of "The Agency".

Hilsman and others have observed that the "Agency" has much going for it. It has a fast and secure communications system of its own; it has more money; more people on station longer than other agencies; it can dispense more favors and has more opportunity for "free-wheeling". A cogent case can be made for the contention that it is too powerful for its narrow function as set forth in the National Security Act of 1947. It has too many of the resources and instruments of foreign policy under its one roof.

*The Intelligence Establishment - published 1970

- 7 -

Pejorative Comments

Very much has been written about the CIA and most of it has been hyper-critical. It has been suggested that the Agency itself has publicized its covert political action successes, perhaps for the purpose of extracting money more easily from an impressionable congress. The publicity, from whatever sources, has been damaging and has tended to magnify the widely publicized failures of the Agency such as the Bay of Pigs disaster and its activities in Vietnam, Laos and Cambodia. The present atmosphere is what one could describe as "negative credibility". Like the peasants mentioned above, we are prone to believe most anything, particularly if it is bad.

However, special circumstances do pertain at this time. The negative public attitude toward clandestine operations is extreme at the moment. Things were not so in the 1950s when there was an easily perceivable threat. In the sixties the situation changed rapidly as the Communist monolith began to show cracks. The enemy was not so apparent or so frightening. Added to this was the debate sparked by our deep and tragic involvement in Indo China where the secrecy surrounding the CIA's actions led to accusations of abuse of Presidential powers. Add to this the impact of Watergate and the apparent injection of the CIA's "dirty tricks" operatives on the domestic scene and one can readily understand the present negative credibility image.

- 8 -

The spate of critical statements, articles and books, including some much heralded but yet to be published exposes, has led to serious consideration of the advantages and disadvantages of maintaining a covert action capability. Closely linked to this is the matter of clandestine operations which often have some of the characteristics, as well as the dangers, of covert political action.

Some Comments in Support of Clandestine Operations

Lord Chalfont states in the London Sunday Times of September 30, 1974, "if the U.S. is disbarred from access to some of the less attractive instruments of secret diplomacy, while its enemies, unhampered by the pressures of public opinion, continue to use them, the power structures of the world might gradually but irreversibly be changed; and the change is not likely to be one to delight those who believe in an open society".

Mr. Colby, the present Director of Central Intelligence, has commented on Sec. 102 (d) (5) of the National Security Act ("the CIA shall perform such other functions and duties related to intelligence affecting the National Security as the National Security Council may from time to time direct"). Colby said in his November 7, 1973 letter to Chairman Murphy that world conditions require its (Sec 102) use much less now, but "this weapon" (clandestine operations and covert actions) should not be "lightly discarded from our national arsenal". (It could be maintained that sending the U2 over the USSR in 1960 might well have been a matter of national sur

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- 9 -

In his September 13, 1974 presentation to the Fund for Peace, Director Colby said: "It is advocated by some that U.S. abandon covert action. In light of current American policy, as I have indicated, it would not have a major impact on our current activities or the current security of the U.S. However, I can envisage situations in which the U.S. might well need to conduct covert activity in the face of some new threat that developed in the world. There have also been, and are still, certain situations in the world in which some discreet support can assist America's friends against her adversaries in their contest for control of a foreign nation's political direction". My experience as Ambassador in two "third-world" countries over a period of ten years convinces me that Mr. Colby is correct in his views.

President Ford has said publicly that we will not forego this option. Furthermore, it is significant that the Senate, on October 2, 1974, voted 68 to 17 not to prohibit further covert operations. (The so-called Abourezk Amendment). The House, by a similar proposition voted down the Holtzman Amendment.

Some Comments Against

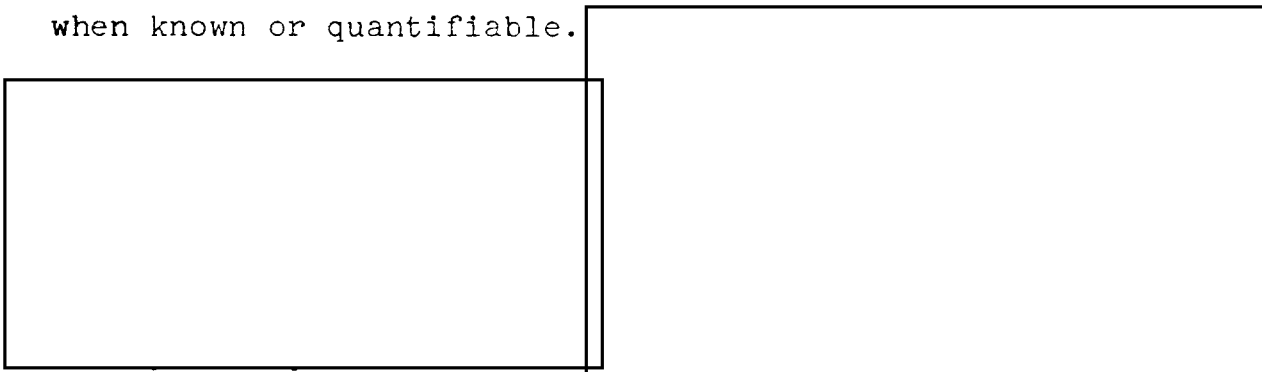
However, as Laughlin Campbell says, "there is a tenable position that covert political action is beneath the dignity of the U.S. and the moral standards of the American tradition". Indeed, a distinguished American, former Under

has written: "Our foreign policy must be based on policy and factual premises which are accepted by the overwhelming majority of the American people". "As one step toward reestablishing credibility", he said, "we should abandon publicly all covert operations designed to influence political results in foreign countries...We should confine our covert activities overseas to the gathering of intelligence information"*

Some Pro and Con Examples

Of course, there is no way to produce a balance sheet with a "bottom line" showing definitively a profit or a loss resulting from our having had a covert action capability. Any such measurement must of necessity be most subjective in nature.

The failures have been widely publicized and subjected to hypercritical study. The successes much less so, even when known or quantifiable.



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Did all this contribute to internal "stability" in this country and hence to easy access to essential raw materials, an important export market and not

*Quoted from Anthony Lewis' "Self-Inflicted Wounds", New York Times 9/23/74.

- 11 -

25X6 incidentally to the preservation of a liberal regime in Who can say no? And who can say we could have done as much without both an action and a collection capability?

Who can really assess what advantages have accrued from discreet (and hence unheralded) support of a trade union or a rising political figure in an area of great importance to us? Perhaps none as yet, but the future may bring the "pay off". The influence game is a part of history and will remain so, and I cannot envisage a time when our country can afford not to be in a position to act when acting is considered in our vital national interest. The crucial question is, therefore, how to determine whether a situation is of sufficient importance to us to warrant the risks involved.

A COVERT ACTION CAPABILITY OR NOT?

We may use a capability seldom, if ever, but to be without a capability to even attempt to influence events through the use of covert contacts with individuals or institutions would be folly in today's world. Many "operations" have involved essential financial support of individuals or organizations already committed to a policy or a cause with which we are in agreement. Our support is covert for obvious reasons, but it does not necessarily involve suborning or "corruption" or the financing of revolutions or of "traitors".

- 12 -

Furthermore, just as we have impressive military forces to use short of our nuclear capability, we need a political action capability for those purposes not served by traditional diplomacy or by war. As so many observers have commented, we must have an action arm short of sending in the marines.

The question is often asked whether or not our purposes would not be as well served through some overt, perhaps non-governmental, channel. I do not believe so. The recipients of this sort of "aid" could be too easily criticized or even crucified, their future ruined by the facts becoming public. Leaky though our system is, it is better than the relatively easy identification that would go with support by businesses, foundations or individuals.

Problems and Dangers

One cannot delineate a rigid set of standards which must be adhered to before engaging in a covert operation. Each case is in a sense ad hoc with its advantages or disadvantages which require expert evaluation. For example, our best judgment is that third party "x", in a mainly two party system, would play a vital balancing role in any close vote issue. Moderate covert support of such a party could surely be defended, if our judgment was that the party would vote on the side of moderation which in general would favor our overall interests. Since such political organizations

- 13 -

are usually without adequate resources, there is not only relatively easy access, but also we find leaders of such groups literally begging for help. The cover and cut-out mechanisms in such cases are not difficult to devise.

The same can apply to individuals with leadership potential - indeed, they may not even need to know the true source of their support. Subsidizing a potential leader is no sure thing; he may change for the worse (from our point of view) over the years, but if such "gambles" pay off from time to time, we can be way ahead of the game.

The facilities available to State through the usual "leader grant" or "important visitor" programs are inadequate and have no promise of becoming more effective in this sense. We cannot allow ourselves to be without a capability to "move" when we think we have identified a target of opportunity. Furthermore, I see no reason to label all such acts as immoral or beneath us. We may patronize the arts or support an individual or an institution in the honest belief that we are serving ourselves as well as the local commonweal. I believe this type of covert action can generally be defended, on the assumption that adequate consideration has been given through the control mechanisms provided. (This factor - and the judgment capabilities of the individuals involved - is crucial and is examined in more detail below.)

- 14 -

We are on much less defensible grounds, however, when we become involved in certain types of clandestine collection operations, whether by human or technical means. The former can be much the riskier of the two types of operations. Is it really worth the risk involved in "owning" senior civil servants in key positions in government? Is it worth the risk to even try to place electronic surveillance devices in places which may or may not provide intelligence? It has been said we have a massive capability for determining capabilities, but what we need is a greater ability to assess intentions. It is doubtful that we can learn enough of intentions by this type of collection operation to balance the risk of exposure. This type of operation requires the most thorough check-out of any before final approval.

In all this there is a factor of "fun and games" that cannot be shrugged off. I know from personal contacts that there are those in "the trade" who really prefer playing "dirty tricks" on "the opposition" to the often humdrum and trying responsibilities of the routines of normal diplomatic efforts. I have become bemused and even fascinated myself over a chance event which, if capitalized quickly, using the covert mechanisms in being, would embarrass or damage our adversaries. The temptation to play such games may often be greater than is warranted, given the risks of exposure.

- 15 -

Assuming that we stay in the business of covert operations, we must consider the undoubtedly deleterious effects of exposure on our credibility as a nation basically interested in promoting the rule of law internationally. It is perhaps too easy to shrug off the matter by reference to past and present practices of all great powers. Somehow the world accepts and even expects "dirty tricks" and extensive spying from our adversaries, but we must be "Mr. Clean" in this respect. I do not share the views of those who say we should set an example for the Soviets (or others) to follow. We would be giving up a weapon of net advantage which our friends abroad (and we) may need from time to time. We would be abdicating the field to those who do not even suffer from a conscience which drives us to the sort of self-flagellation of which this paper is one symptom.

Recently much has been written regarding the damage which knowledge of covert actions does to our overall credibility, especially in the diplomatic field. I would say the problem posed in Ambassador Moynihan's now well known complaint about leaks in Washington and their damaging effect on his relations with his Chief of State and other senior Indian government officials is a serious one. But it would not by any means be solved merely by doing away with covert operations. The propensity to "leak" is very great in Washington, and the usual leaks have little or nothing to do with covert action. This is not to say the

- 16 -

image of our covert action capabilities does not complicate both diplomatic relations and the domestic scene. The propensity to believe the worst, mentioned above, is marked and certainly was notable in both of my Ambassadorial posts. However, I do not think that my normal diplomatic tasks were markedly more complicated by this attitude of mind. I do not of course refer to such situations as today in Cyprus, where special circumstances pertain and where suspicions of CIA involvement in the recent coup are endemic.

Definitions and Examples

It is generally accepted that "covert actions" include (1) political advice and counsel; (2) subsidies to individuals; (3) financial support and "technical assistance" to political parties; (4) support of private organizations, including labor unions, business firms, cooperatives, etc.; (5) covert propaganda; (6) "private" training of individuals and exchange of persons; (7) economic operations; and (8) paramilitary (or) political action operations designed to overthrow or to support a regime. (Bissell quoted by Marchetti and Marks p. 389).

However, there is a serious danger factor involved in certain so-called clandestine operations. Gathering intelligence by clandestine or secret means can be a risky and potentially damaging process. A few examples suffice to

- 17 -

prove the point: the U-2 incident in 1960, the Pueblo and Liberty actions later, the generally accepted (although not officially recognized) existence of secret communications facilities in [redacted] and STATINTL elsewhere. These, just as many covert operations, have their political costs and risks.

It has been suggested, for instance, that our perceived need for our facilities [redacted] STATINTL

[redacted]

The initial decision to establish these facilities led us to a potentially "hostage" situation that had not been envisaged at the time the decision was made. The decision process regarding sensitive collection programs should, therefore, be at least as exhaustive as that applied to covert action and should take place at the NSC - 40 Committee level.

A further connection between the two types of operations is in the personnel involved and their expertise. The link is in methodology for the "recruiting and handling of foreign agents". Obviously much the same personnel must serve two functions, otherwise there would be much confusion, overlapping of operations and even short circuits. The

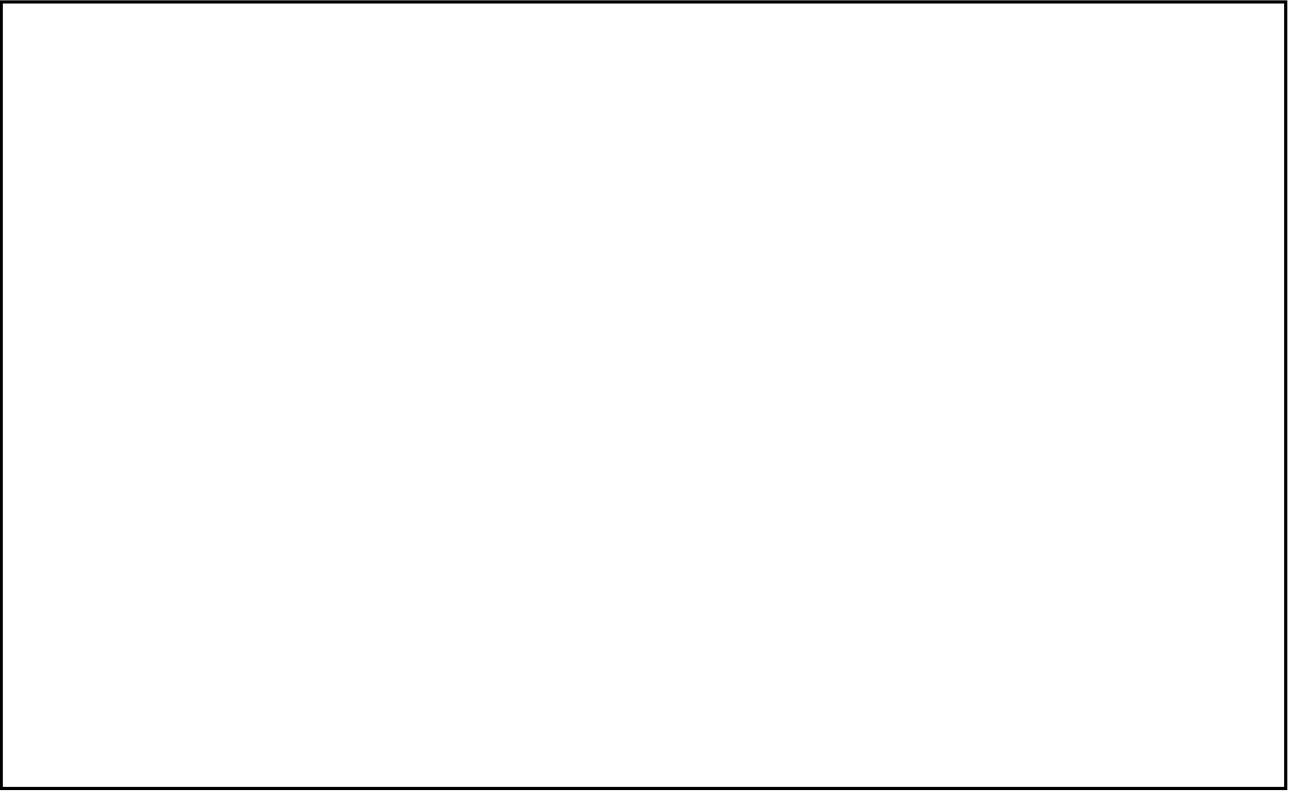
- 18 -

British and U.S. experiments at separation failed. The World War II German experience was a disaster.

As Laughlin Campbell has observed:

"A single organization can groom and position abroad a standing force of trained intelligence officers whose basic skill is the recruitment and handling of foreign agents and can send directions down command channels as to whether agents are to be used for collection, for action or for both."

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Organization of the CIA for Action and Research and Analysis

It has been suggested that one way to improve both image and functioning is to place CIA's Research and Analysis (DDI) function in a new institution which might also include State's Bureau of Intelligence and Research, leaving the clandestine services (DDO) separate.

The new Research and Analysis Organization, whether including INR or not, would have a role more closely approaching that of the CIA as envisaged in the National Security Act of 1947. The proponents of this change say that such an organization, divorced from "action" operations would command much greater cooperation from the now alienated

- 20 -

academic community as well as other "intellectual" circles whose contributions to our national purposes could be significant.

Furthermore, it is suggested that recruitment possibilities would be enhanced, since the "stigma" of working in an organization oriented in an important degree to "dirty tricks" would have been removed. The image of a true "Central" Agency for coordination and collation and dissemination of intelligence collected by all other agencies would be greatly enhanced. The functions of the Clandestine Services would be kept apart, either in an organization directly responsible to the President thru the NSC or, as some suggest, still thru the DCI, though physically separated from his other service organizations.

Halperin in his paper, "Implications of Decision Making for Covert Operations", after endorsing the concept of a split along the foregoing lines, suggests in addition that the Research and Analysis or intelligence evaluation organization have a role in decision making on all covert operations, including especially an evaluation of the likelihood of success and the cost of failure. It should also provide an evaluation, ex-post facto, of the value of the information obtained through clandestine collection activities. In other words, Halperin believes that the clandestine services should be evaluated by the Research and Analysis group, and he recommends they be joined in this responsibility by policy-level review in State, DOD and the White House.

- 21 -

(Presumably this latter function could be handled by NSCIC or PFIAB - See Subsequent and Comments)

There are some cogent arguments in favor of the organizational status quo. DCI Colby has spoken of the many advantages of "cross fertilization" between analysts and operators. Physical separation would render this virtually impossible. Agency representatives insist that there is a close and valuable association between DDO and DDI and that the new system of NIO's capitalizes on their physical proximity as well as the assessment of clandestine collection efforts made by DDI.

Aside from the tremendous expense of separation other important factors militate against such action. DDO would hardly be less in evidence - organizational requirements would dictate that the administrative set-up, mostly field and action oriented, plus the communications facilities would require a larger physical set-up than DDI. To attempt to keep the Clandestine Service personnel separate from these facilities would only further accentuate the problem of division.

Furthermore, the proponents of the status quo claim that the Academic/intellectual community would hardly be more receptive to what they would consider a change in the facade only. In addition it is alleged that, contrary to the statements of observers such as Halperin, the contacts

- 22 -

with Academics are effective and mutually appreciated - and that recruiting from this sector has not been a problem.

The question of chain of command also poses a problem in a new Clandestine Services organization. If it is to be not only physically but organizationally separated from CIA and the DCI the Director of the new entity would presumably report directly to and take orders from the NSC or the President. This would give the President an active arm just one step closer than the present one (Some critics might say a virtually private one subject to abuse and very reminiscent of Watergate). Furthermore, much would depend on the nature of the individual at its head. If on the other hand, command were still thru the DCI, there would be little substance and merely much less efficiency in the change. It is also suggested that Congressional support of clearly Research and Analysis functions could suffer since they lack the "sex-appeal" of clandestinity.

In this connection the concept of a Research and Analysis Organization combining CIA and State's INR has been mentioned. The advantages of such a move seem to lie only in minor budgetary savings. The loss of INR's independent status as a "check and balance" on CIA's apparatus would far outweigh any savings.

- 23 -

On balance then, it is my opinion that the arguments in favor of a structural status quo deserve the support of the Commissioners and our efforts to improve the situation must be concentrated on the application of adequate criteria for action as well as adequate controls for action decisions as well as for review of on-going clandestine operations.

CRITERIA FOR ACTION

Given a policy decision to maintain a covert action capability (which I would support) and given the existence of a system of intelligence gathering, collation, and decision-making for action, we come to the question of the criteria governing the use of the means at our disposal.

Monitoring Detente and our Economic Needs

What are the problems in the present period of detente which we would consider worth trying to solve using clandestine means? The "monitoring of detente" is one, but this requires mechanical/technical means more than human. Furthermore, the effort itself could jeopardize the goal of detente. We need to collect data on, and if possible penetrate, terrorist groups. This is perhaps a feasible operation. We are increasingly dependent on strategic raw materials which are only available abroad in sufficient quantities. We are becoming more and more vulnerable economically as we become dependent on resources controlled by others. Our need for intelligence in this field and perhaps even to take

- 24 -

some action to protect our vital interests will grow and we cannot afford to be ill-prepared.

Third World Interests

Our economic and political interests in the so-called "third world" acquire an aspect of greater importance as we go further into a period of detente. The opportunities and the need to support individuals or institutions in these societies emerging from colonialism or from oligarchic rule may be vital to their future. Discreet support in cases where it can be shown that such action is of real importance to us is warranted if subjected to thorough assessment before approval. However, we must guard against the temptation to use our extensive action capabilities, now somewhat diverted from former cold-war targets; dreams of success may bemuse us. We should take extra care in the approval and review process in such cases.

New Field for Covert Action: Narcotics Control

Another factor of growing importance to us is the control of narcotics traffic. Our intelligence apparatus can and must serve us in our attempts to lessen this danger. This field is one of the least controversial and one which commands a greater degree of "host country" cooperation than any other. Experience has shown that our clandestine capabilities (in the broadest sense of collection and action) are made to

- 25 -

order for this type of operation. Not only is the host country receptive, but also the quick action quick response characteristics of the clandestine organization, in cooperation with local authorities, bear dividends beyond those accruing from narcotics control.

A Non-Military Action Capability

Many informed observers, such as Ransom (pg. 2 and 3, op. cit.) have asserted that covert operations should only be undertaken to prevent a direct threat to our national security and as an alternative to military action. Mr. Colby has referred to the need for an action arm with capabilities short of sending in the marines.

Senator Fulbright has said in support of his contention that covert action should be used only in emergencies (we must not Fight Fire with Fire, New York Times 4/23/67): "We are compelled, therefore, to lay down a qualified rule, a rule to the effect that the end almost never justifies the means".

The Need for Follow-up Action

It has also been observed that covert action can rarely achieve an important objective alone. It can buy time, forestall a coup, create conditions more conducive to the use of covert means to achieve an objective. If, for instance, a coup or other change of government is averted and no additional step is taken to correct the abuses or the socio-economic conditions which brought on the unrest in the first place, then the effort will have been in vain and the risks run even less justifiable.

Covert actions are therefore to be considered as best suited for "tactical" situations, where success can bring quick, short term gains upon which overt, longer term programs can capitalize.

Risks of Exposure

In a period of detente, the risks inherent in a given covert action program are much greater than during the cold war era. Furthermore, given our apparent inability to maintain secrecy, we must bear in mind the cost of exposure particularly today, when the media and the Congress are "discussing" the issue, and a larger number of individuals, formerly in government, are setting an example of moral crusaders by revealing past association with clandestine operations.

An individual, a political party, or indeed a government could be seriously compromised or damaged by a link to the CIA. Furthermore, disclosure is costly to the image of America that we wish to project. We are not only considered

- 27 -

inept if we are caught but also immoral, even if we succeed. We prejudice our leadership efforts to promote, on another plane, a world in which respect for law is paramount. There is also a factor of alienation of important sectors of our society from government.

Exposure of a given clandestine operation or covert action may well result in very strained relations with the local government which undoubtedly will react to any tampering with the institutions or individuals of that country. In addition, our adversaries in the country, both domestic and foreign representatives, will be quick to try to take advantage of our action. One must also consider what damage a "subsidy" may do to the very organization (party, trade union) or individual we are hoping to help and strengthen. Too often our help is a crutch which can only be thrown away with difficulty.

Once having determined that the risks are worth it, we must apply the same criteria on a continuing basis in order to insure that the situation still calls for the same sort of operation and that the costs are still worth the hoped for results.

These observations lead us to a consideration of the means whereby we can be sure all such risk factors are included in the equation. It is obvious that the staffs of those who sit in final judgment on the 40 Committee must consider a realistic assessment of costs and risks and should have a disaster plan ready in case the operation is "blown".

- 28 -

Hilsman observes that most covert political action programs have "such a high potential for political disaster that every single program, no matter how innocuous it seems, should be the subject of the fullest coordination and consideration".

Consideration of Alternatives

There should also be a full consideration of all overt alternatives - whether the operation is a clandestine intelligence gathering project or a covert political action program. A decision to proceed should only be taken when all overt means have failed or are judged to be impossible to apply in the circumstances. There is an obvious need for much greater attention in the executive for review of on-going projects to determine whether they continue to be worth the money and the risk. Throughout all the studies of this subject, the question of "control" has been considered basic and in our case can and must be greatly improved.

Furthermore, despite constant remonstrances to the contrary, there is no doubt that the "Agency" does propose action programs and can and does choose the channels to be used in presenting the proposals for wider executive consideration. My personal experience and consultations with colleagues confirms these observations. When Hilsman proposed that State's INR be the "clearing house" for covert action programs,

- 29 -

Allen Dulles blocked the idea. Hilsman alleges that CIA has too much money and too many people and there is a consequent temptatiyn to think up things to do just to keep busy. I am not so certain that this is still such an issue, in view of budgetary limitations, but it should be kept in mind.

When to Use Intelligence-and By Whom

An additional factor, which I have observed personally, is that clandestine operations may uncover information of great value which can only be used covertly and by us, even though the "host government" has the interest and capability to use it - the reason being we judge we must protect our sources completely. Obviously we must protect our agents, yet this need must be balanced carefully against the gains from usage.

As Lockhart has noted: "There is no point in producing intelligence of any sort if it cannot be used. If the ultimate result of running an agent is to enable some staff officer to put another pin in a map and nobody takes any action, that does not do anybody any good --- it must make some contribution to the national effort." Here again we need a thorough review to determine usability - and by whom - by our services or by those of the host country. The Agency should have to present cogent assignments to the 40 Committee to prevent the use of informatbn which the Ambassador or the Secretary of State believe to be in the national interest.

- 30 -

THE QUESTION OF ADEQUATE CONTROL

Who should consider and decide upon clandestine operations (both collection and action programs)? The system in existence looks reasonably good on paper but close examination reveals certain faults.

Benjamin Welles, writing in The Christian Science Monitor September 12, 1974, observed that "Control over the CIA, which the Agency touts endlessly in self-justification, is a fiction". While I believe he overstates the case, since the control mechanisms, albeit relatively unused, do exist, Welles shares a generally held belief that the "oversight" function, that is, control of CIA activities in the field of clandestine operations leaves much to be desired.

Roger Morris shares Welles' preoccupation and recommends that all covert action programs be certified by the President as in the vital national interest and be subject to prior consultation with the Congress. He would bar funding for "interference" in elections, mercenary military or political assassination. He also suggests:

1. Secretary of State to have supervisory role over all foreign intelligence activities.
2. Prohibition of the use of private institutions by CIA.
3. All Chiefs of Station to have Congressional approval.
4. The 40 Committee to have a special independent staff to provide all members with a full review of all aspects and implications of a given covert action proposal.

- 31 -

5. Creation of a fully staffed Congressional Joint Committee or Intelligence Supervision.
6. The 40 Committee include two members from each house and that minutes be read in executive session.

I believe Morris goes too far in several of his suggestions. Presidential certification and prior consultation with Congress is too much to ask. Prohibition in the use of funds for specific purposes other than mercenary military operations would seem to tie the executive hand too tightly (the suggestion that funds are available for political assassination seems to me a gratuitous and mischievous comment) the idea that chiefs of station should have Congressional approval is hardly feasible if only for security and over reasons. The suggestion that the 40 Committee include Congressional Members raises constitutional problems.

Observations by critics such as Morris and comments in Congress and the press minimize the effort and maximize the problem. There is little doubt among "lay" observers that there are mechanisms for control in being. The mechanisms can undoubtedly be improved but a net gain would be registered if only the existing organizational provisions were used properly or modified somewhat. A combination of the two is probably what we must aim for.

- 32 -

Better Use of Existing Provisions

Let us now examine control in the sense of initiation and approval of projects. The existing system provides a means for review which, though it is limited as to input by interested and above all knowledgeable officers, should function well enough to protect the interests of the U.S. That it does not provide guarantees of protection is more a human than an organizational failure. (The same can be said of many if not most of our serious problems.) Nevertheless, with some relatively minor changes, the system can be much improved.

The present system of Embassy/Station, or Washington initiatives, prepared and reviewed in the field (Ambassador and Station Chief usually but sometimes by the operations group of the Country Team) or through CIA/State agreement at Bureau level, sounds fine in theory and in actuality provides a relatively good review prior to approval by the 40 Committee. The weakness in this facet of the system is largely a function of the knowledge and experience of those occupying the positions that are "cleared" to receive such information or to be consulted on the subject.

A zealous, or indeed over-zealous, Chief of Station has a fine opportunity to influence a new Ambassador, particularly if he be a political appointee. The same can be said of an Assistant Secretary's or Deputy Assistant Secretary's CIA

- 33 -

counterpart in Washington. In other words, there exists the possibility, if not the probability, that the cards are stacked to favor the views of The Agency whatever they may be regarding a given covert action proposal.

To mitigate these difficulties we should extend the "need-to-know" circle to include those officers with more detailed knowledge and experience; e.g. - Deputy Chief of Mission, Chief Political or Economic Section and DIA representatives as appropriate in the field, and country directors or desk officers in Washington. Obviously such a move increases the problem of security but the value of input from these individuals would far outweigh any risk of an increase in the probability of leaks.

40 Committee - Weaknesses & Suggestions

In addition, we should examine and revise the functioning of the 40 Committee. The fact that it (as well as the ex-post facto executive oversight group PFIAB) are served by Secretariats headed by CIA officers may present more of a cosmetic than a substantive problem. Nevertheless, a change in this aspect of the system would provide additional protection. The fact that the now-defunct "Special Group-Counter Insurgency" had a State Department representative on the Secretariat served as an "early warning" system within the bureaucracy. An experienced Foreign Service Officer on loan to the staff could play a devil's advocate role, removed as he would be from parochial enthusiasms or even bemusements. However, we cannot overlook the fact that the members of the committee

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- 34 -

as now constituted are powerful and often egocentric men and their actions can lead to short circuits in the system. There are too many instances where the fiat of power and position has silenced or ignored informed and experienced officers who foretold the problems involved in, or indeed the failure of, a given course of action.

It has been pointed out that (contrary to the procedures of its predecessors and of the Special Group), the Committee seldom meets and most of its business is transacted by phone. Such a system is inherently weak. The fact of prior consultation among deputies or discussion at "working" or expert levels may or may not insure adequate review. The present system certainly does not provide the insurance of substantive discussion among principals, perhaps leavened, if not enlightened, by the observations of two or three trustworthy, prestigious and experienced individuals other than the "interested parties" who now participate in the telephone polls and rare meetings in the OEOB.

The 40 Committee itself should be enlarged through the addition of two or three prestigious "ex-users" of intelligence or ex-coordinators of covert operations (e.g. ex-Assistant Secretaries of State, ex-ambassadors, retired senior military or even ex-Cabinet members such as Melvin Laird).

Better use of the present machinery could go a long way toward the goal of adequate control "before the fact". The same can be said of ex-post facto review or "oversight".

- 35 -

The Congress, Executive bodies such as the President's Foreign Intelligence Advisory Board (PRIAB) and the National Security Council Intelligence Committee (NSCIC) provide for a means of, but do not necessarily "deliver", adequate control. In addition we should improve the present somewhat desultory annual review system by more rigorous requirements for Embassy Country Team or Ambassador/Station Chief on-going review, as well as Bureau level reviews in Washington.

The Need for Secrecy - Penalties

DCI Colby's official position on Congressional oversight is that anything Congress wants will be provided. The Agency has worked with the specified sub-committees in the past and forcefully asserts that appropriate members have been appropriately briefed. Nevertheless, doubts have been expressed both in Congress and elsewhere as to the efficacy of this system of briefings.

On the other side of the coin is the question of security which only reached serious proportions with the Harrington exposé of alleged Agency actions to undermine the Allende marxist regime in Chile.

The overall question of security, whether in the Congress or in the Executive, is one which has received much attention, particularly since the Ellsberg-Pentagon Papers incident. There is no doubt that present provisions are inadequate. Given the virtual impossibility of obtaining any legislation

- 36 -

as far-reaching as the British "Official Secrets Act", we must try for something less but more adequate than the protection (or lack of it) afforded by our present laws. Director Colby has made certain proposals which should be thoroughly considered by the Congress, though there would seem to be constitutional problems involved. The Director's proposals were discussed by him at the September 13, 1974 Conference on CIA and Covert Actions under the auspices of the Fund for Peace. His position was that it was necessary with regard to individuals who had signed secrecy agreements with government agencies "to impose penalties on those who take upon themselves the choice of which secrets to reveal, rather than relying on the established declassification procedures of our government".

This would not apply to news media or others who have not consciously assumed an obligation to respect secrecy. Colby argues cogently that even agricultural production statistics, census information and tax returns are better guarded than many more significant government secrets.

The DCI has informed Commission Chairman Murphy that the Agency is responsible in detail to the authority of four Congressional Committees and that they, along with other interested Members of Congress, are briefed regarding Agency covert action programs. Within the Executive he points out that

- 37 -

he is responsible to the President and to the NSC. His Agency responds to the substantive requirements of the Secretary of State, Secretary of Defense and others with foreign intelligence interests. In addition to Congressional review, Director Colby points out that the PFIAB is asked to review CIA and other intelligence community acts.

Joint Congressional Committee - Pros and Cons :

With regard to the role of the Congress, Mr. Colby has said that it is up to that body to prescribe the system of "oversight" by legislative authority. While he, for obvious reasons, has not made suggestions as to possible improvements in the system, it is a fact that there is considerable support within the Agency, as well as elsewhere in the Executive, and in the Congress too for that matter, for a change to a Joint Committee form (Joint Committee on National Security) as in the Joint Committee on Atomic Energy.

Since such a Committee would write its own rules, security would be better than under the existing system whereby standing committee rules apply, and therefore briefings could be more detailed and candid. This view is strongly supported, inter alia, by Senators Humphrey and Baker, Congressman Zablocki and by Ray Cline, former Director of the Bureau of Intelligence and Research in the State Department. (Although the Joint Committee question is a matter for consideration in another

- 38 -

paper for the Commission, I believe a failure to mention it briefly here would seem a rather obvious omission of a pertinent aspect of the problem of oversight and control.)

Such a change would ease congressional and public concern over CIA activities. It would also provide a better "forum for registering Congressional doubts and/or complaints and the initiation of advisory action with respect to any errors which might become apparent". (Ransom, p. 164) It would also tend to counter the rather general belief that the present committees are not doing the job adequately.

On the other hand there may be opposition to such change from within the existing oversight committees since a National Security Committee would probably want to "control" all Departmental Intelligence work - even that of DIA which is not the prime responsibility of the Armed Services Committees.

It has been suggested that an alternative to a new committee would be the revision of House rule number 12 (and the comparable Senate rule) to preclude access by other members to papers or transcripts concerning intelligence.

In his dissenting view on the 1955 Mansfield resolution, Senator Hayden (Arizona) expressed the view that the existing system was adequate, that close studies of much secret "executive" acts might better be left to the FBI and that the

- 39 -

creation of the Joint Committee would raise constitutional questions. Only the latter point deserves a full study, perhaps in Mr. Harris' paper.

Other Oversight Groups

PFIAB's role in ex-post facto oversight, though mentioned in Mr. Colby's letter to Chairman Murphy, is minimal. This fact is not a result of anything other than choice by the Chairman and other members of the Board and the limitations placed on their activities by other demands on members' time. It meets only every two months for two days. It has conducted ex-post facto, "hit or miss" reviews of some covert action programs. It could do much more, particularly in reviewing on-going project - viability in sensitive areas. Its membership of prestigious individuals from many different professions, provides a unique, critical and disinterested forum for airing the potential for danger of on-going actions.

Its "post mortem" studies should also result in more objective observations than could be expected if a politically or bureaucratically oriented body. If Mr. Rockefeller continues as a member, as he has indicated he would like, the group may take on new vitality and value in this important task. In doing so, however, PFIAB needs a somewhat less parochial staff. It could be alleged that its present CIA-provided Secretary (There is a Navy staff member too, in view of the

- 40 -

fact the Chairman is an Admiral) might try to avoid the consideration of "sacred cows" or other potentially dangerous projects-in-being.

Various observers have suggested alternatives for improved control mechanisms. Benjamin Welles in his September 12 article in The Christian Science Monitor proposes an independent review panel of retired judges, academics, industrialists, scientists and ex-consumers of intelligence such as Ambassadors, Admirals and Generals - the latter group preferably recently retired. It should be a simple matter to modify the PFIAB to include this meritorious suggestion. The Killian Committee, established as a result of recommendations by the Hoover Commission (1953-55), was a similar body and asked as an early PFIAB. Such men as Robert Lovett, Benjamin Fairless, J. P. Kennedy, E. L. Reyerson, and senior military representatives reportedly did well in this role. This vital function is not being adequately performed now.

Another control mechanism not adequately used is the National Security Council Intelligence Committee (NSCIC), established by Presidential directive November 5, 1974.

The NSCIC was established as a result of weaknesses discerned by the Schlesinger study group and was supposed to provide guidance on national substantive intelligence needs and a continuing evaluation of intelligence products.

- 41 -

Its chairman is the same over-worked, harassed individual (Assistant to the President for National Security Affairs) who chairs the 40 Committee. Indeed, membership is virtually the same on both organizations - (Under Secretary of State for Political Affairs, Deputy Secretary for Defense, Chairman of the Joint Chiefs of Staff and the Director of Central Intelligence). Aside from this duplication of interests represented in both groups and the possible problems arising therefrom, the group has seldom met. A month after establishment in late 1971, there was a 30 minute meeting. The next one was 2 1/2 years later, in August 1974!

Provision must be made for regular meetings of this important review group, along with adequate staffing to ensure, insofar as possible, effective review of at least major on-going programs.

The Need for Leadership and Vigilance

We know there is a serious control problem inherent in the system. The efficient functioning of any or all of these before-or-after-the-fact control mechanisms depends almost wholly on the interests and wishes (and personality) of the Very Important Persons who control the. First there must be the energy and determination of top policymakers to make control effective. Do they have the time or the "attention span" to carry out this essential leadership task? A problem they face is that the information or "intelligence" they

- 42 -

receive is mainly supplied by the system they are supposed to be controlling. Have they the time to be objective in their consideration? Do they have the inclination to call upon knowledgeable members of their staffs for dissenting views, or do they consider themselves already adequately informed?

As long as chairmen and/or members do not feel the need for action, or as long as they do not have the time nor the inclination to use the expertise of the bureaucracy, control is not adequate. To ensure against this weakness, we can only count on Presidential and Cabinet leadership, plus continued vigilance and questions by members of the control groups, by the Congress and the media.

Obviously it is neither an easy nor a sure thing to exhort a President or a Cabinet member to action. Perhaps the most that can be provided is adequate staff work initiated by any one or more of the members of the various oversight/control groups, which then must be acted upon by the total membership.

John Bruce Lockhart, in an address last year (q.cit.), commented as follows on the problem of control: "I believe the weaknesses in the whole intelligence set-up is that those in charge are inadequately educated about the whole problem of control ... Secret Services are as competent or incompetent

- 43 -

as the governments that control them".* Perhaps the word "effective" is a better choice than competent, but the point is crucial to any consideration of the problem of clandestine operations.

*The Relationship Between Secret Service and Government in a Modern State" - a lecture at RUSI, 11/21/73

- 44 -

RECOMMENDATIONS

1. Limit covert operations to those certified by the Secretary of State and the President (as represented on NSC) as of great importance to our national security.
2. Maintain the present link between clandestine intelligence collection and covert operations in its present form within CIA (DDP).
3. Strengthen the control/approval mechanism in 40 Committee. The President and Secretary of State should be required by law (amend the 1947 act as necessary) to monitor adequately the 40 Committee functioning. This requires an enlarged staff - which should have representatives of other agencies than CIA, e.g., senior representatives of INR and DIA.

The "privileged" circle in CIA, State, DIA, etc., must be enlarged to include more of the experts on a given subject being readied for presentation to the Committee. Seniority or position cannot insure either substance or security. Provide by regulation for regular meetings and discussions and include a provision that any agency or non-government representative may object at cabinet level if the meetings are not held.

Provide by regulation that the 40 Committee include representatives from outside the bureaucracy (not from

- 45 -

the Congress), perhaps retired former users of intelligence; i.e. ex-military, ex-Assistant Secretaries of State, or ex-ambassadors. Require that each covert action recommendation include a thorough examination of follow-up requirements to be provided by event means to capitalize on successful operations, not just a "disaster plan" in event of failure or disclosure.

4. Establish a Joint Congressional Committee for National Security or failing that modify House Rule 12 and the comparable Senate Rule.
5. Require by law and regulation that particularly sensitive operations be reviewed at specified intervals (i.e. more frequently than the present annual review) by the Ambassador and Chief of Station in the field and by the 40 Committee and that the President, through the NSC, report to the appropriate Congressional authority the results of these reviews.
6. Provide by law and regulation for systematic review of all other on-going programs - both in the field and in Washington, with the requirement of certification by the Ambassador and Chief of Station, as well as appropriate Washington entities; e.g., PFIAB for certain categories and Under Secretary of State for Political Affairs for lesser categories.

- 46 -

7. Through Presidential initiative revitalize the PFIAB. Include in its terms of reference a requirement to impress upon members their independent responsibilities and urge them to use the resignation weapon if not satisfied with the attitude of the chairman or reactions by NSC, State or the White House. Provide for a secretariat which is not solely in CIA hands but which includes (as in the modified 40 Committee) State and DIA.
8. The NSCIC must be revitalized and given specific responsibilities enumerated in the revised National Security Act. It should have an identity of its own, and not be dependent on an overworked and seldom available Assistant to the President for National Security Affairs.
9. Provide by regulation and regular reminders from INR for periodic review of all clandestine operations and covert actions and their respective "Disaster Plans" in the respective Embassies - with problems, if any referred to Washington for decision.
10. Request a thorough Congressional consideration of DCI Colby's suggestions for the revision of laws covering disclosure of secrets.
11. Action proposals from the field to have more than high Bureau clearance in State - desk officers, office directors and INR should have a mandatory review though not veto function.

- 47 -

12. Intelligence should be used wherever possible and when deemed appropriate by the Ambassador. The Agency should have to present cogent arguments to the 40 Committee to prevent the use of information which the Ambassador or Secretary of State believes in the national interest.
13. Every effort must be made, perhaps through numerical limitations, to lessen CIA presence on Embassy rosters.
14. While it may only be a gesture, the Commission should emphasize the fact that the best system will not work without Presidential and Cabinet interest, vigilance and monitoring.

ISSUES ON INTELLIGENCE RESOURCE MANAGEMENT

Robert M. Macy

Prepared for the
Commission on the Organization of the Government
for the Conduct of Foreign Policy

November 1974

STATINTL

[Redacted]

Suggest you may wish to take a last look at the Macy paper. It is also being reviewed by [Redacted] Ed Proctor, and

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[Redacted] Is there anyone else who should see it for Security purposes?

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CONTENTS

	<u>Page</u>
SUMMARY	i.
INTRODUCTION	1
I. BACKGROUND	5
A. The Schlesinger Report	5
B. Consolidated Intelligence Community Report	17
C. Economic Intelligence	23
D. U.S. Embassies	28
II. PRINCIPAL ISSUES	31
III. ROLE OF DCI VIS-A-VIS THE DOD	33
IV. MULTI-YEAR PROGRAMMING AND BUDGETING	43
V. GROWING IMPORTANCE OF ECONOMIC INTELLIGENCE	50
VI. THE ALLOCATION OF COLLECTION RESOURCES	58

SUMMARY

The Commission has several important opportunities to contribute to better management of intelligence resources, as follows:

1. Recommend ways to strengthen the hand of the DCI in allocating intelligence resources, particularly by extending the present shared responsibility of the DCI with DOD for satellite intelligence programs to other DOD intelligence programs. (See pp 33-42, particularly the discussion of Option C)

2. Endorse the moves already made toward multi-year planning and budgeting by the Executive Branch and the Congress and encourage further moves in this direction (See pp 43-49)

3. Recommend that the DCI take steps to strengthen further the collection of economic intelligence without waiting for all of the issues regarding top management for economic policy within the Executive Branch to be settled. Such steps would focus on raising the priority accorded economic intelligence relative to military-political intelligence (a) in staffing top positions in the Community and Office of the DCI, (b) in preparing Congressional presentations, (c) in allocation of resources, and (d) through more centralization of collection activities

for economic intelligence in CIA. (See pp 50-57)

4. Endorse certain discussions and moves now taking place within the Community that point toward developing a national strategy for intelligence. An annual report presenting the options for such a strategy would replace the present annual Consolidated Budget for the Intelligence Community. (See pp 58-65, particularly Option C)

INTRODUCTION

This paper is concerned with issues in the management of foreign intelligence collection activities for purposes of supporting U.S. foreign policy, particularly those activities carried on by CIA, DOD and U.S. Embassies. There have been a number of significant changes and improvements in the management of the Intelligence Community in recent years, so that in preparing this paper it was necessary to rely primarily on interviews for background, not on published documents which are usually not up to date. The Community has a number of minor management problems which could have been identified in this paper, but it was considered more constructive to concentrate on a few major issues. If these important issues can be resolved most of the others will probably fall into place.

I have been asked to include in this report an annex presenting budgetary figures for the Community. These figures are now disclosed in detail to Congressional subcommittees of appropriations committees, but with the understanding that the figures would not be made "public." Thus, it was considered inappropriate to include them in this report.

I would also point out that certain activities for which we did not receive security clearance were considered

"off limits" for the Commission and its staff. These activities are of very significant size and are shown as separate line items in the DOD and Consolidated Community Budgets.

I have also been asked to consider "alternative roles for intelligence consumers in determining intelligence expenditures or consumer-agency funds for acquisition of special intelligence products". This proposal arises from the fact that for consumers within the U.S. Government, most finished intelligence is "free." To illustrate its importance, suppose an Assistant Secretary of State needed certain intelligence that could be obtained by very expensive satellite photography, or an inferior product could be obtained from overt sources. He might be unwilling to pay for the more expensive photography if the money to pay for it had to come out of his own budget. He would be satisfied with the inferior product.

The basic idea of making the intelligence consumer more cost conscious through requiring him to pay for the intelligence has merit. However, I have been unable to figure out practical ways to achieve such a result. For example, suppose certain finished intelligence were produced from raw data collected by NSA and from certain agents, and partially confirmed by overt sources. 200 persons were involved in its preparation. Dr. Kissinger was then briefed

for 30 minutes on this intelligence. How much should he pay for it? He did not know in advance what the intelligence included. He may already have known most of it through personal conversations with foreign diplomats. Or, if Dr. Kissinger received 10 telephone calls last week, each including some intelligence, would he have to pay some pro-rata amount for such information? How much? How would such payments affect the allocation of intelligence resources?

Suppose NSA has tried very hard for 5 years to crack the top codes of 3 countries, but with no success so far. However, if such codes could be broken the results would probably be dramatic and 5 U.S. Departments would be very much affected. Should these 5 departments share the cost of this part of the NSA operation even though no finished intelligence was produced? If the amounts each agreed to pay did not cover the total cost of the NSA operation, would it be terminated?

How far would you go with the above idea? Would CIA have to pay for all Embassy cables? Would AID have to pay for all foreign agricultural reports of the Department of Agriculture? Imagine just the paperwork involved.

Suppose the State Department was unwilling to pay for satellite photography. Would that mean that State would not

be permitted to see any of the results of this photography in the future?

If the payments by consumers were restricted to intelligence consumers within the Department or Agency now producing the intelligence, at least some of the problems mentioned above would be avoided. However, the intelligence collected by DOD, for example, now includes a lot of economic intelligence of use only to other Departments and Agencies. Who within DOD would pay for it? The satellite photography is of vital importance to the Secretary of Defense and the Joint Chiefs of Staff. Does it make sense to give the Air Force the choice of spending a given amount of money on the satellite program or on other Air Force activities? If the Army refuses to pay for satellite photography, does this mean the Army will not be permitted to see the results of this intelligence activity?

I do not think this whole idea will stand close examination, and have not discussed it in this report.

I. BACKGROUND

The following notes are presented as background information for a review of the issues and options presented in this report. It is assumed that the reader has some knowledge of the structure and operation of the Central Intelligence Agency (CIA), and the intelligence activities of the Department of Defense (DOD).

A. The Schlesinger Report

The intelligence situation was reviewed by the Schlesinger Study Group in 1971. It was found that there was virtually no policy level guidance to the Intelligence Community on substantive intelligence needs. It was also concluded that the review of the quality, scope and timeliness of the Intelligence Community product was neither systematic nor continuing. The President instructed Dr. Kissinger to set up the NSC Intelligence Committee to (a) provide guidance on national substantive intelligence needs, and (b) to provide continuing evaluation of intelligence products.

The NSC Intelligence Committee (NSCIC) was established in late 1971, and had one 30 minute meeting a month later. Over two and a half years elapsed before the next meeting

was held on August 25, 1974, for a little over an hour. The working group of the Committee met once in April 1973, and was reactivated after the August 23 meeting in anticipation of another Committee meeting which was held in October, 1974.

The President's instruction to provide policy level guidance on intelligence needs through the NSCIC was not met, but the DCI attempted to provide a substitute in the form of "KIQs" (key intelligence questions), which were developed by collectors and processors, not consumers at the policy level. The KIQs were sent to the various members of the NSCIC for guidance, and useful reactions were obtained, particularly from the DOD.

The President's request for continuing evaluation of intelligence products also has not been met. Several "crises" studies were conducted by the Intelligence Community. No formal evaluations have been completed, and there is no mechanism so far for continuing review. The past crises studies did provide some guidance in refining and strengthening the KIQs.

The President also requested Dr. Kissinger as Assistant to the President for National Security Affairs to establish a Net Assessment Group in the NSC staff for product review and production of net assessments. A small group was established but no net assessments were produced and the group was transferred to the Pentagon in the summer of 1973.

The Schlesinger Report in 1971 included an evaluation of the DCI. He was too absorbed in the day-to-day operations of the CIA. The involvement of his personal staff in the management of the Intelligence Community was minimal and generally ineffective. The management of the Community that did take place was limited largely to USIB and its many subcommittees that operated largely through consensus and a lot of log-rolling between agencies.

IC Staff

President Nixon directed the DCI in November 1971 to exercise positive leadership in planning, reviewing and evaluating intelligence programs; and to restructure and strengthen his personal staff to accomplish this. Since that time the DCI's personal staff -- the IC staff -- has been very substantially expanded and became much more involved in Community management and the provision of guidance for planning of programs.

The IC staff has introduced the KIQs program (key intelligence questions) as a guide for collection of intelligence. This program is revised annually. I have examined the latest edition of this program, and feel that it is too general. It is a start, but not sufficiently selective. It does not clearly define which collection resources should be used for answering the various questions.

The difficulties involved in compiling the KIQs are formidable. If you ask the intelligence processors and consumers what they need from the collectors they may ask for everything they can think of because it is "free." In theory some arrangement ought to be feasible for having the consumer pay for intelligence and thus restrict his demands to his priority needs. I have not been able to figure out a practical way to introduce this "user charge" principle into the intelligence collection process.

"Crises" studies have been carried out which include analyses of the adequacy of intelligence for a past crisis -- quality, gaps, etc. -- and thus obtain useful guidance for refining the KIQs. Members of the NSCIC were asked to review the KIQs, and useful comments were received, particularly from DOD.

It seems to me that the KIQs are one of those management tools that cannot be administered through the usual institutionalized "consensus" approach. The experienced collectors and processors of intelligence "know" which collection resources are really worth their cost and which are of little value. But, they are going to protect their own program and not "tell." It is suggested that this is a situation where the DCI can and has used the institutional approach as a starter, but now must rely on his IC staff to refine the KIQs on their own initiative to conform as

closely as possible to the realities of the situation, pending more guidance from the NSCIC.

In the November 1971 Presidential directive, the DCI was instructed to prepare and submit through OMB a consolidated intelligence program budget, including technical intelligence; and was also directed to "allocate all intelligence resources." That is really a rough assignment for an official who has only a presidential directive, whereas DOD, which has 85% of those resources, has a statutory base for allocating these same resources. This whole subject will be discussed later in this report.

IRAC

The Presidential directive included instructions to establish an Intelligence Resources Advisory Committee (IRAC) to advise on the consolidated budget and allocation of resources. The Committee has been established, meets regularly, and has active working groups. It is not in a lead role; and the DCI, who chairs the Committee, faces resistance from DOD in involving the IRAC in the CCP, GDIP, and tactical programs, i.e., all of the DOD intelligence programs other than the satellite programs, which are jointly managed by DOD and the DCI. Generally speaking, IRAC, concerned with collection resources, complements USIB, which is concerned with finished intelligence.

IRAC has been controversial. Its members have certainly benefited from it through gaining a much deeper understanding of the collection activities and problems of other members of the Community. The Committee has been helpful to the DCI in identifying some of the major collection resource issues. However, each member tends to be very defensive about his own organization's resources, so the Committee is not a good management tool to obtain a consensus on collection priorities, or on shifts of resources between agencies.

On-going Programs

If IRAC has serious shortcomings, just how will the DCI maintain effective surveillance over on-going programs? There is a natural tendency to concentrate on proposals for new projects. In preparing the annual budget, it is a great temptation to accept 80% to 90% of the budget items uncritically because they are about the same size as last year, or within budget guidelines for increases, and concentrate nearly all of the budget review on proposed new items. The end result is that a substantial part of the various programs of the U.S. Government may be continued for a number of years without critical review. 50% or more of today's product line of a well managed U.S. industrial company may not even have existed 5 years ago. We need an aggressive policy of keeping the "product line" of the U.S. Intelligence Community

up to date.

It is certainly reasonable to expect a heavy turnover of intelligence collection methods and kinds of material collected. There has been a technological revolution in collection techniques during the past 15 years that is still going on. The increased sophistication of local internal security and counterintelligence programs around the world is obviously affecting the collection techniques that will work in a given country. I have in mind such considerations as the growing difficulties in cracking codes and recruiting high level agents in many countries. Additionally, it is becoming much easier to collect much useful information overtly as developing countries build highways, remove travel restrictions, introduce greatly improved national statistical systems, expand their technical publications, etc. Last but not least, U.S. intelligence needs for supporting U.S. foreign policy change over time. For example, there is a growing need for economic intelligence, part of which can be obtained by more thorough exploitation of information in domestic agencies right here in Washington.

One way to force a review of the "base" -- of the on-going programs -- is to maintain a very tight budget, or even to cut the budget, as has happened in the Intelligence Community during the past few years. Experience shows, however, that too often a tight budget results in a delay

in introducing improvements rather than drastic cuts in low priority items. Or, management may take the easy way out and introduce a horizontal cut. A somewhat more sophisticated approach is to introduce performance budgeting that helps to identify activities that are not measuring up. In any event it seems clear that a tight or reduced budget by itself does not guarantee a careful review of on-going projects.

The sharply reduced budget of the Intelligence Community in recent years has undoubtedly forced the elimination of a lot of over staffing in some on-going programs and a much harder look at some on-going and proposed new technical collection programs that were formerly examined almost wholly from the standpoint of technical feasibility. We need more sophisticated approaches, however, for continuing future reviews of on-going programs by DCI.

The comparatively new IRAC plus the IC staff should be able to identify those on-going collection programs that are not working well or are obsolete. For example, I understand that a review of scientific journals from around the world is proving to be more rewarding than scientific espionage activities. It is well known that espionage activities in general are becoming less and less effective in many countries. And so on. There was not time during this study to investigate how much of a "lag" may exist in weeding out collection activities that have outlived their usefulness. I am concerned

that the DCI's hand may be too weak to force the termination of low-priority collection programs on a timely basis, and note, for example, that the DCI apparently must use military officers on active duty to head up the IC staff so that this staff is acceptable to DOD.

Another aspect of updating on-going programs is the need to insure that when new techniques are accepted, old techniques that they replace would be dropped. The IRAC is in a good position to propose such action, particularly because high level research officials of DOD have been tapped for IRAC meetings. Also, the DCI has the IC staff and the Office of Research and Development of CIA available for such purposes. It is suggested that we need a tougher policy providing that termination of old techniques is a condition for using new techniques after the latter have been thoroughly field tested.

The really tough part of the review of on-going collection programs involves the impact of changing U.S. foreign policy on collection requirements. This leads us back to the lack of policy level guidance on substantive intelligence needs discussed earlier in this paper.

In summary, the DCI has been handicapped in keeping a tight rein on on-going collection programs of the Community because of his lack of authority, certain fundamental weaknesses of IRAC for such purposes, an IC staff dominated by

military officers (and only one FSO), and an inactive NSCIC. This matter will be discussed further in connection with program guidance by the DCI for the consolidated intelligence budget.

Department of Defense

The Schlesinger Study of 1971 concluded that the Secretary of Defense, with the bulk of intelligence resources, exercised no strong leadership within DOD, staff support was diffused, and programs were not well coordinated. The President's November 1971 directive provided for (1) a broadening of the DCI's responsibilities to include tactical intelligence (some of the IC staff prefer to call such intelligence "military forces support"), (2) the establishment of National Cryptological Command for SIGINT, (3) the establishment of a single Office of Defense Investigations, and (4) the establishment of a Defense Map Agency.

The Presidential instruction to include tactical intelligence in the coordination responsibilities of the DCI has been implemented. For years there had been a recognition that the historic distinction between "tactical" intelligence and national intelligence would not stand close scrutiny. For example, the sighting of a submarine may be initially classified as tactical intelligence but a day or two later it will also become national intelligence. This broadening of the DCI's collection coordination responsibilities is a significant improvement.

The Presidential instruction to establish a unified National Cryptological Command, under the Director of the National Security Administration, for SIGINT (signals intelligence), has not been fully implemented. This move was opposed by the OSD staff, the JCS, and CIA, so very little was done about it. It might be added that the Consolidated Cryptological Program (CCP), operated by the director of NSA, appears to be more controversial than the other DOD intelligence programs. The collection activities in the field, called the Central Security Service, have been cut back sharply as part of the intelligence budget cuts in recent years. The intercept stations overseas have been heavy users of expensive manpower, but are now being more fully automated.

The Presidential instruction to establish a single Office of Defense Investigations out of the investigative agencies of the three military services has been implemented. The investigators are concerned with counterintelligence work and security checks on DOD personnel.

Action has also been taken to implement the President's directive of November 1971 to merge the mapping agencies of the three military services into one Defense Mapping Agency. These mappers make important use of satellite photographs and have mapped the entire globe.

In 1972 another step was taken that holds much promise, namely the establishment of the Office of Assistant Secretary

of Defense for Intelligence. Its impact has been less than had been expected, but over time it should make an important contribution, particularly in terms of coordinating collection resources.

The largest intelligence program is the satellite or reconnaissance program. Its output is widely regarded as the most valuable in the Intelligence Community, and it has enjoyed top priority for available intelligence funds. This program is jointly supervised by a 2-man committee composed of the Assistant Secretary for Intelligence and the DCI. Both DOD and the DCI spend large sums for research on this program.

Over the years, the introduction of technical intelligence collection methods by DOD (and to a lesser extent by CIA) has led to the necessity of obtaining rights to install technical collection equipment such as CCP intercept stations in other countries. Some form of "bribery" such as military and economic assistance programs of unusual size or duration are usually involved. Thus, the true cost of technical intelligence programs may be substantially higher than indicated by their budgets. It is proposed that the DCI seek policy guidance from the NSCIC on the whole matter, and then conduct a joint study with DOD of the true cost of technical intelligence equipment and staff located overseas to determine if we are not paying too high a price for their use in some countries. It is recognized that

the analysis will be complicated in some countries by the presence also of military base rights.

B. Consolidated Intelligence Community Budget.

As a result of the President's November 1971 directive, the DCI has pulled together Consolidated Community Budgets for two years, and is now working on the third one. This Consolidated Budget is prepared with the help of the IRAC, sent to the President through the OMB, and defended before the Congressional Subcommittees on intelligence matters. (I am advised that there has never been a leak of information from these Congressional Subcommittees.) The budgets of some of the Intelligence Community members were reduced sharply over a 3 year period, and the Consolidated Budget is now being held at approximately a stable total dollar amount which is not expected to increase significantly during the next several years. This fiscal policy is forcing further decreases in numbers of personnel and procurement of hardware because of inflation.

Since there can only be one President's budget, the figures in the Consolidated Community Budget must agree exactly with the figures in the individual budgets of Community members. Thus, the preparation of the individual budgets and the consolidated budget must be very closely coordinated. The first year there was not much time

b. The DOD has legislative authority to prepare its budget, but the DCI has only a Presidential directive to prepare the consolidated budget including the intelligence categories of the DOD budget. In a showdown the DOD would probably win.

c. If the DCI has difficulty in prevailing on a substantive issue in the DOD's intelligence budget, such issues could be taken to the NSCIC for decision, but that committee has not been meeting regularly. However, the DCI has the option of sending recommendations to the President with the Consolidated Budget.

d. It is not clear whether the DCI should be concerned only about substantive issues, or also play an active role in determining fiscal policy controlling the preparation of the consolidated budget. The DOD budget has fiscal guidelines which were worked out with the Military Division of OMB which presumably cover all of that budget. The International Affairs Division of OMB is responsible for intelligence programs of the Community. The working relationship between the two divisions of OMB, the DCI, and the Controller in DOD are understandably complex and unique and still appear to leave something to be desired.

e. It was probably assumed when the DCI was asked to prepare a Consolidated Intelligence Budget that it would be sent to the OMB in the Fall at the same time OMB received the individual budget submission from the members of the Intelligence Community. Thus, the OMB could review the intelligence categories in the members' budgets and the DCI's proposals in the latter's Consolidated Budget at the same time. Unfortunately, the DOD budget submission is on a different time schedule. Many years ago the Military Division of OMB adopted the unorthodox procedure of holding joint hearings with the Controller's office of DOD on the DOD budget, lasting into December each year. Thus, the usual time interval between the submission of a departmental or agency budget to the OMB and the completion of the Presidential budget in late December does not exist, so the DCI has to sit in on the regular budget hearings in order to get his views presented to OMB in time to be considered.

f. Ideally, the DCI would work out substantive program guidelines early in the budget cycle for the guidance of those preparing the various individual budgets included in the consolidated Intelligence Community. At this time it is doubtful if the IC staff has a sufficiently detailed knowledge of all of the intelligence programs in DOD to prepare

comprehensive guidelines. Concentration on a few priority issues is one answer.

Experience to date suggests the need to take a hard look at the President's directive of November 1971 regarding a Consolidated Intelligence Budget. The Secretary of Defense, for example, has statutory responsibilities for keeping a close watch on military capabilities and actions around the world. It is difficult to see how you can build a fence around his intelligence activities and assign authority to the DCI to "allocate all intelligence resources" without in effect assigning responsibility to the Secretary of Defense for activities over which he does not have authority.

On the other hand, it is suggested that the basic idea behind the President's November 1971 directive providing for the DCI to send a consolidated budget to him through the OMB with his recommendations is basically sound. The DCI is in much the best position to take a broad look at where the Community has been and where it ought to go, and recommend to the President the key actions that should be taken and incorporated into the consolidated budget. The DCI cannot achieve such an objective, however, by making suggestions in joint OMB/DOD budget hearings in the Pentagon where he has little more than an observer status (except for the satellite programs).

It has been suggested that the answer lies in the direction of giving the DCI statutory authority over the Consolidated Intelligence Budget. I think this would be

a mistake, not only because of the position in which it would leave the Secretary of Defense, with his responsibility for activities over which he did not have authority; but also because of the risks involved in exposing the DCI's and CIA's basic authorities to amendment in the Congress. Intelligence activities are unusually controversial at this time, and some very undesirable amendments might be initiated and approved by the Congress.

A more promising approach would appear to be as follows. The DCI would not get involved in budget details. He would not be concerned with "whether they should buy 9 or 12 airplanes, but whether there should be any airplanes in the budget." He would select perhaps not more than six very major issues in the DOD intelligence programs. Careful studies of these issues would be made by the IC staff, including discussion in IRAC. The DCI's recommendations on these six items would be sent to the President for approval via the NSCIC (or perhaps the CIEP where appropriate), fairly early in the budget cycle. Decisions by the President would be forwarded not later than perhaps 1 August by the DCI to DOD for incorporation in its intelligence budget.

In addition to the Presidentially approved decisions, the DCI would also forward to the DOD at about the same time a list of important programs or projects that should be sharply reduced or eliminated. Such a listing would not only

help promote a more intensive look at on-going programs during the joint OMB/DOD review but would help to blunt an effort to get the intelligence budget total raised if the Presidential decisions proposed above involved a net increase in expenditures.

DCI representatives should still attend OMB/DOD joint budget reviews, but largely for purposes of background information.

Looking to the future, the staff of the DCI is well aware of the shortcomings of the management information systems of the Intelligence Community which are addressed primarily to accounting and fiscal criteria. These systems are not designed to relate resources allocations to substantive tasks and information, i.e. they are not a good management tool today to measure the effectiveness with which revenues meet requirements. There is a need for a better system for tying the budget and program review together.

C. Economic Intelligence

The CIA and most of the rest of the Intelligence Community were designed and staffed for the Cold War period of the 1950s. Since then we have entered a period of detente and lessened tensions overseas. Today we need an Intelligence Community capable of meeting not only the continuing requirement for secret intelligence in the interests of national

security, but also the overriding challenges of providing solid intelligence on world-wide inflation, food shortages, energy crises, narcotics control, and so on. Can this challenge be met as additional tasks by the Community? Or does the situation call for a more fundamental reorientation?

This issue is important not just in terms of helping our President to meet his priority concerns. It is also important in terms of continuing Congressional and public support of CIA. Political action programs to fight Communism no longer have unqualified support. Support of military actions seems to be at an all time low. If, however, the CIA could clearly identify itself as one of those working toward solutions to our domestic and world-wide economic problems, its image might be significantly improved.

Let us consider the environment within which the Director of Intelligence (DCI) works today. The basic authority for the DCI and CIA still is found in the National Security Act and a related piece of legislation, enacted in the late 1940s and concerned with the Cold War. The personal staff of the DCI for coordinating the Intelligence Community, known as the IC staff, is directed by military officers on active duty. About Community Budget is for the Department of Defense. Policy guidance is supposed to be supplied by the NSC Intelligence Committee chaired by an

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Assistant to the President who in the past has shown little interest in the field of economics, plus the Undersecretary of State, the Deputy Secretary of Defense, and the Chairman of the Joint Chiefs of Staff. (A representative of the Treasury Department has recently been added.) The CIA chiefs of station overseas are preoccupied with such responsibilities as recruiting agents, and it is reported that few of them have any capabilities or interest in the field of economic intelligence. This does not appear to be an ideal environment for grappling with many, perhaps most, of the crucial intelligence needs of the next decade.

It is true that CIA has the best group of economic intelligence analysts in Washington, a subcommittee of USIB is concerned with economic intelligence, and one of the 11 National Intelligence Officers (NIOs) is concerned with economic matters.

However, until the past few years economic intelligence was largely focused on Russia and China, and was often collected for purposes of estimating the war making potential of a given country, not for support of programs to cure the economic ills of the U.S. and elsewhere.

More recently there have been some very significant developments in the management of U.S. economic policy, both foreign and domestic, which took place outside the well known "Nixon-Kissinger orbit." At the top was the Committee on

Economic Policy, run by senior officials in the White House and the Treasury Department. In addition, several "problem-oriented" committees were established to grapple with such matters as trade, monetary policy, and oil. CIA officials concerned with intelligence on such matters quickly established working relationships with these committees and have been very responsive to their needs for economic intelligence on a world-wide basis. Relationships have been very flexible up to this time with commendable initiative being shown on both consumers and producers of intelligence. A very high percentage of the intelligence provided these committees has been based on specific requests, such as for international negotiations. In some cases this flow of intelligence has been facilitated by "brokers" attached to committees who are knowledgeable about both intelligence production and intelligence needs.

Four Treasury officials, either on loan from or with backgrounds in the Intelligence Community, brief the Secretary of the Treasury and his Deputy on current intelligence early each morning, and then brief the Secretaries and other high officials of domestic departments such as Commerce and Agriculture later each morning. These briefings are done with the full knowledge and support of the DCI. It might be added that during the past 2 years, collection agencies have had their priority requirements

extended beyond the military area to cover world-wide economic intelligence, through the KIQs (key intelligence questions), introduced by the DCI and updated annually; and CIA has recently produced excellent weekly summaries on such topics as trade and energy.

The various ramifications of the world's economic ills are still being sorted out, and Mr. Rush's departure has left the top guidance for our economic policy making temporarily in a fluid state. It seems clear, however, that much progress has been made at high levels in coming to grips with our world-wide economic problems, and that economic intelligence is not an important limiting factor at this time.

Looking to the future, there appear to be several issues that will have to be resolved. Should these problem-oriented committees dealing with world-wide economic problems eventually be drawn into the NSC orbit? Or should CIA's present orientation to the NSC be broadened to encompass a separate complex of high level economic committees as major consumers? Shall the KIQs be screened by these new committees? Should the NSCIC's mandate to provide policy level substantive intelligence requirements guidance be shared with the CEP (Council on Economic Policy)? If the old Board of Requirements is revived, should it be attached to the NSCIC or the CEP? Should the DCI present the Consolidated Intelligence Budget not only to the Armed Services

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-II. PRINCIPAL ISSUES

The review of intelligence resources management indicates that there are a number of major issues on which the Commission on the Organization of the Government for the Conduct of Foreign Policy could make an important contribution. All of these issues are well known to senior members of the Intelligence Community, and most of them are under active discussion. In this paper an attempt is made to identify these issues and present several options for consideration.

The first issue is concerned with Presidential directives to impose the DCI between the Department of Defense and the President with respect to the programming and budgeting of intelligence resources. Such a move was first attempted back in 1961. It did not work. A second attempt was made in 1971 through President Nixon's directive (reaffirmed by President Ford in October 1974) implementing the recommendations of the Schlesinger study. Although there was considerable enthusiasm for this DCI "leadership" role in allocating intelligence resources during 1972 and 1973, today there is much disillusionment among key officials, and the time is ripe to consider the options.

The second issue is concerned with the future cost implications of budget decisions involving intelligence

resources. This issue raises questions about multi-year budgets, five year plans, etc. Options on this issue are under current discussion in the Executive Branch and some actions have been taken. The Congressional budget reform legislation included provisions bearing directly on this issue.

The third issue is concerned with the rather disorganized ad hoc situation prevailing today with respect to economic intelligence. Although the major problems involve top management of economic policy and the dispersal around Washington of economic intelligence analysts, there is also an economic intelligence resource aspect worth discussing.

The fourth issue is concerned with what action should be taken to provide a better substantive frame of reference for the operation of the intelligence community. More specifically, should there be a more conscious national strategy for the allocation and use of intelligence resources? How will such a strategy be developed?

III. ROLE OF DCI VIS-A-VIS THE DOD

Issue #1: What steps should be taken to strengthen the hand of the DCI in fulfilling his responsibilities regarding the allocation of intelligence resources?

Option A. The DCI would support a policy of collecting all of the raw intelligence that was technically feasible with a minimum of budgetary restraints; and would restrict his budgetary activities largely to (1) providing a forum (IRAC) for acquainting each member of the Intelligence Community with the others' programming and budgetary activities and problems, (2) obtaining a consensus when possible on issues brought before IRAC, and (3) preparing a compilation of various members' annual budgets for Congressional presentation.

For:

1. It is rather naive to think that the DCI could have much direct impact on the DOD budget when (a) the DOD budget includes 4/5 of the funds for foreign intelligence activities; (b) the Secretary of Defense has statutory authority for programming and budgeting intelligence activities, whereas the DCI has only a Presidential directive; (c) the strong intelligence policy guidance and support from

Dr. Kissinger and his NSCIC (National Security Council Intelligence Committee) as contemplated in the Presidential Directive of November 1971, has not materialized; and (d) above all, it has always been true that only the OMB (Office of Management and Budget) stands between the President and Departments and Agencies on budgetary matters.

2. Experience has shown the IRAC (Intelligence Resources Advisory Committee) does have real value for educational purposes, acquainting each member with each other's budgetary and programming problems, airing opposing points of view on various issues, and seeking a consensus where possible.

3. It makes sense to adopt a policy guideline of technical feasibility, with a minimum of fiscal and programming restraints, rather than rely on consumer requests in programming collection activities. It is not realistic to wait for users of intelligence to tell collectors what they need. Sometimes procurement and operational lead times of as much as 2 years or more are necessary for collecting certain kinds of intelligence. Furthermore, in this highly volatile world situation it is just not feasible to set detailed priorities for intelligence collection needs.

4. Collectors are in a much better position than consumers to assess trends in collection needs, and to make highly technical choices of alternative means for collecting raw intelligence.

Against:

1. Officials favoring this Option (and there are many) are saying in effect, "Just give us the money we need and leave us alone; we are the experts; we know best." The U.S. Government went through an extended period when there was comparatively little in the way of budget restraints or policy guidance, and the result was not only an overextended Intelligence Community but also a number of intelligence activities with excessive funding. The record clearly shows that an option similar to Option A leads to too many wasteful practices to be acceptable.

2. More specifically, periods in the past, with conditions approximating those in Option A appeared to lead to (a) excessive preoccupation with technical innovations and technical challenges for collecting raw intelligence almost without regard to cost/benefit consideration, (b) the accumulation of a large amount of "fat" in intelligence expenditures, and (c) an environment which discouraged the DCI from exercising strong leadership in achieving

coordinated and efficient operations within the Community.

3. The sharp cuts in intelligence budgets during the past few years, initiated largely by the OMB, do not seem to have resulted in significant shortages of raw intelligence, a clear indication that wasteful practices had been in effect.

4. IRAC, established by the Presidential Directive of November 1971, has been of value as noted above, but each member tends to be very defensive about his own organization's resources, so this Committee is not a good management tool for obtaining a consensus on collection priorities.

Option B: The DCI would make every effort to carry out the Presidential Directive of November 1971 to "allocate all intelligence resources" through making maximum use of IRAC, building up his IC staff, and preparing each year a Consolidated Intelligence Community Budget with his recommendations, for review by the President.

For:

1. In a situation where the needs for foreign intelligence have expanded to many parts of the U.S. Government for an ever-widening number of purposes and the collection resources are concentrated in DOD, and to a lesser extent in CIA; it stands to

reason that there must be some neutral central point such as the DCI responsible for allocating these resources in an objective and fair manner. Stated more bluntly, just because over 4/5 of the money is in the DOD budget, the allocation of collection resources should not necessarily be dominated by military-political requirements.

2. Although on the surface the problems faced by the DCI in injecting himself into the DOD budget process appear to be most formidable, in practice it is difficult to recall any major issue on which the DCI and the Secretary of Defense did not reach agreement. So long as there is a will to cooperate among the top officials, administrative difficulties tend to disappear.

3. If the DCI submits his proposed Consolidated Intelligence Community Budget to the President with his recommendations several months in advance of the deadline for completing the President's Budget (end of December of each year), then there will be time to give proper consideration to the DCI's recommendations, and through a channel that does not involve the DCI in a direct confrontation with DOD on a major issue.

Against:

1. Although it may appear on the surface that the DCI is making real progress in asserting his authority over the allocation of collection resources, indicating that Option B is feasible, in fact this Option is not working. The DCI has not reached agreement with the Secretary of Defense on many major issues as they arose because the DCI has not been in a position to raise the tough questions and take a firm stand. The well known weaknesses of IRAC as a channel for allocating resources were mentioned above. The IC staff, which is the DCI's principal staff resource to turn up the tough questions, is dominated at the top by military officers on active duty. One of them told me in so many words that "if the IC staff was not run by a military officer it would not be acceptable to DOD." Finally, the DCI has been waiting for the members of the Community to complete their budgets before he prepared the Consolidated Community Budget. The Consolidated Budget thus arrives at OMB at the end of the budget season when it is too late to consider major revisions. In effect, the DCI is only second guessing members' budgets, not exercising leadership in presenting in

advance his views on what should be in the members' budgets.

2. In setting forth the above observations, I wish to emphasize that I have great sympathy for the position in which the DCI finds himself. I think we must find better ways to take advantage of the great potential value of his office.

3. However, it is difficult to find any escape from the dilemma that the Secretary of Defense has a fundamental responsibility to keep a constant watch on military and potentially explosive political developments around the world, and if you attempt to transfer at least some aspects of his authority over such surveillance activities to the DCI, you are putting the Secretary of Defense in the untenable position of being held responsible for activities over which he does not have full authority.

Option C: The management of all of the technical intelligence collection programs financed by the DOD budget would become a shared responsibility, just as the satellite program is today with its Executive Committee composed of a representative from DOD, and the DCI; and the DCI, in carrying out his leadership role in allocating intelligence

resources, would not "scatter his shots" but would concentrate each year on perhaps not more than six major issues, studying them in depth, including an analysis of their cost implications for future years.

For:

1. The joint management of the satellite program is reported to be working very well and appears to avoid at least most of the difficulties encountered by the DCI in his efforts to influence the program and budgets for the rest of the DOD intelligence activities. It is recognized that the predecessor of the satellite program (the U-2 program) was started by CIA, so that the administrative and jurisdictional problems involved in extending this joint management approach to other DOD activities would probably be more difficult than those encountered in establishing joint management for the satellite program.

2. By concentrating on a few major issues, presenting the options to the President for decision, and forwarding the decisions to the DOD several months before the end of the budget cycle, the timing problems faced by the DCI in influencing the present DOD budget process are reduced, and the issue of the DCI getting between the President and the DOD does not have to arise.

Against: _____

1. If the DCI jointly manages all of the very expensive technical collection programs, he may lose some of his objectivity in allocating resources, in enforcing the principle of using only clandestine sources when overt sources are not available, and so on. In other words, he may tend to get a vested interest in these technical collection programs.

2. If the DCI concentrates on studies of a few major issues, and decisions on these issues involve a net increase in expenditures, the DOD may thereby have a lever with which to insist on an increase in the planned total expenditures for the year in question.

Discussion: It seems pretty clear that the DCI will be unable to exercise the kind of positive leadership envisioned by the Office of the President unless the joint management role he now has for the satellite program is extended to the other technical collection organizations in DOD. This may appear to be a rather drastic measure, but the alternatives have been tried over the years with very disappointing results.

I have found considerable support in the DCI's office and in the OMB for the proposal that the DCI should focus

on studies of a few major issues each year. These studies should include analyses of the future cost implications of the various options.

IV. MULTI-YEAR PROGRAMMING AND BUDGETING

Issue #2: What steps should the DCI take in order to insure that adequate recognition is taken of the future cost implications of budget decisions?

Option A. Adopt a 2-year budget for intelligence programs.

For:

1. With today's intelligence budgets so dominated by long lead items, it makes sense to prepare budgets for a 2-year period in order to reflect more fully the future costs of budget decisions.
2. Intelligence resources program administrators can proceed in a more orderly, positive way if they know what they can count on for the next 2 years, rather than just one year.
3. The disclosure of future expenditure implications of proposed major budget decisions is often the most effective way to keep future budgets within prescribed limits. A 2-year budget will disclose a substantial part of such future expenditures.
4. If the future cost implications of budget decisions are not carefully analyzed, the inevitable result will be that over the years a rapidly increasing

part of the annual budget will be composed of mandatory expenditures based on past budget decisions. Thus there will be less and less flexibility in the budget to take care of high priority new programs, emergency developments, etc. unless sharp increases are permitted in total expenditures.

5. Budget officials in OMB and the office of the DCI are very much interested in the idea of the 2-year budget.

Against:

1. A 2-year budget would have to be prepared each year.
2. Important budget decisions usually have cost implications extending far beyond two years.

Option B. The DCI would prepare a projection of collection requirements for the next five years, up-dating it annually; and calculate the budgetary implications for the next five years of major budget decisions currently under consideration.

For:

1. The DCI has already made a start toward this Option B by preparing a projection of intelligence needs for the next five years, to be up-dated annually.
2. The Congress already requires the preparation of budgets for the next five years showing the changes in the President's budget for each year if no new programs

are introduced. Such a calculation is one way of showing the future cost implications of budget decisions included in next years budget.

3. An annual budget can be quite misleading if the future budgetary implications of its long lead time items are not properly analyzed. For example, approval of a new \$50,000 training program and \$100,000 for the site of a new technical collection device, might in effect be committing the DOD or CIA to a \$50,000,000 expenditure during the next three years. Because of the "technological revolution" in the intelligence collection field during the past two decades, such considerations have become increasingly important.

Against:

1. The five year "perspective" of intelligence needs issued by the DCI is so all inclusive that it is not a good guide to high priority future needs or a restraint on low priority items. On the contrary, it is difficult to think of anything excluded from the list. Thus this five year perspective tends to place a stamp of approval for the next five years on anything the Community wants to collect.

2. The five year projection of the current budget is of limited value because it does not include anticipated budget decisions during the intervening period.

Option C. The DCI would prepare an Intelligence Community Plan for the next five years for major categories of items with long lead time; up date it annually; secure approval of the plan for higher authority; and assume responsibility for insuring that the current annual budget proposals are consistent with the approved 5-year plan.

For:

1. This five year projection of budget decisions would include not just the budget decisions proposed in the current budget, but anticipated budget decisions for the intervening years.

2. This five year plan would not include those activities of an administrative nature which do not have any long lead time aspects and would remain about the same during the 5-year period (e.g. the controller's office).

3. Instead of relying primarily on analyses of a few major ad hoc decisions each year to keep the budget on the track, it would be much better to look ahead a few years, anticipate changes in the

priority intelligence needs, and put together a mid-term plan that would anticipate the priority raw intelligence needs, include necessary budget decisions for the entire period and would be in line with anticipated limits on future annual budgets. This plan would be approved by higher authority, and the DCI would insure that it is used as an approved guide in preparing annual (or 2-year) budgets.

4. The preparation of this 5-year plan would provide an opportunity not only to take a look at proposed new projects for collecting intelligence, but also to identify those on-going projects that have outlived their usefulness. It is very difficult to get attention focused on low priority on-going programs during the annual budget process if increased funding is not requested, attention usually being focused almost entirely on proposed new programs and above-average increases in on-going activities. It is probably much easier to get agreement to eliminate unproductive activities or duplications from a mid-term plan by arguing that "you surely are not going to continue those programs for the next five years."

5. Longer term plans are already being prepared for some intelligence programs.

Against:

1. The DOD already has a classified 5-year plan for its entire DOD budget (including intelligence) which is presented each year. Last year the DCI was officially permitted to see it for the first time. How would a Community-wide 5-year plan be reconciled with the DOD plan? Is there any practical way other than to extend the joint DOD-DCI management plan for the satellite program to other DOD technical collection programs (Option C of Issue #1 above)?

2. Unless the authority of this 5-year plan is very clearly spelled out, it will tend to be ignored during the rough and tumble of the annual budget hearings.

3. The existence of an official 5-year plan raises important security problems. The plan would have to be highly classified and very closely held.

Discussion: Steps are already being taken in the direction of 5-year plans and serious consideration is being given in some quarters to a 2-year budget instead of an annual budget. Congress appears to favor moving in these directions, as indicated by some of the provisions of

the recent Congressional budget reform legislation. It is suggested that moves in these directions are desirable, and that the Commission should give serious consideration to giving its blessing to these trends.

V. GROWING IMPORTANCE OF ECONOMIC INTELLIGENCE

Issue #3. What steps should the DCI take to help overcome the rather ad hoc, disorganized way economic intelligence is being collected and processed today?

Option A. Continue the present arrangements, CIA responding promptly to whatever requests it receives for economic intelligence from different parts of the U.S. Government, with the KIQs (Key Intelligence Questions) including economic intelligence requirements from whatever source.

For:

1. Informed officials indicate that the economic intelligence requirements of the U.S. Government are being met today in spite of rather loose organizational arrangements, and that relationships between CIA and consumers of such intelligence are excellent.

2. Until the "top management" arrangements of the U.S. Government for foreign and domestic economic policy matters are firmly established; and until the probable long-run pattern of economic committees for various major problem areas (food, trade, oil, etc.), and the assignment

of economic responsibilities among different departments become clearer; it is not feasible to move toward more permanent, institutionalized arrangements for collecting and processing economic intelligence.

3. Since CIA is prohibited from engaging in intelligence activities within the United States, there appear to be limits on what leadership the DCI can exercise with reference to the many overt sources of economic intelligence in the Executive Branch.

4. Domestic and foreign economic matters are so important at this time, that we can afford to have rather loose arrangements with considerable duplication of effort to encourage lots of initiative and fresh thinking and to provide the President with alternative sources of information for policy guidance during this crucial period.

Against:

1. There is so much at stake, that the collection and processing of economic intelligence should be thoroughly professionalized. Loose arrangements are bound to result in an unacceptable amount of erroneous or misleading economic information floating around Washington, and a lot of "shooting from the hip."

2. More specifically, there is concern in some quarters that all processing of economic intelligence is not carried out "under one roof." Those favoring such an arrangement point out that CIA is recognized as having by far the largest and most experienced group of professionals in Washington for analyzing economic intelligence, but unless a firm decision is made soon there will be a rapidly growing duplication of effort in several Departments in the near future.

3. Most of the U.S. intelligence resources and most top officials of the Community are oriented toward military-political intelligence collecting, and there are plans on the drawing board for a lot more investment in resources primarily oriented for such purposes. Even a superficial look at (a) the small percent of the total intelligence budget earmarked for economic intelligence, (b) the few senior officials of the Community whose primary interest is in economic intelligence, and (c) the presentation of nearly all of the Community Budget only to the Armed Services Committees, suggests that a fresh look at the allocation of intelligence resources is in order, and need not wait for a firming up of the organization of the U.S.

Government in the economic field. A point to remember: most military intelligence collected today is for possible future use; but most economic intelligence collected today is used every day for guidance on matters vitally important now.

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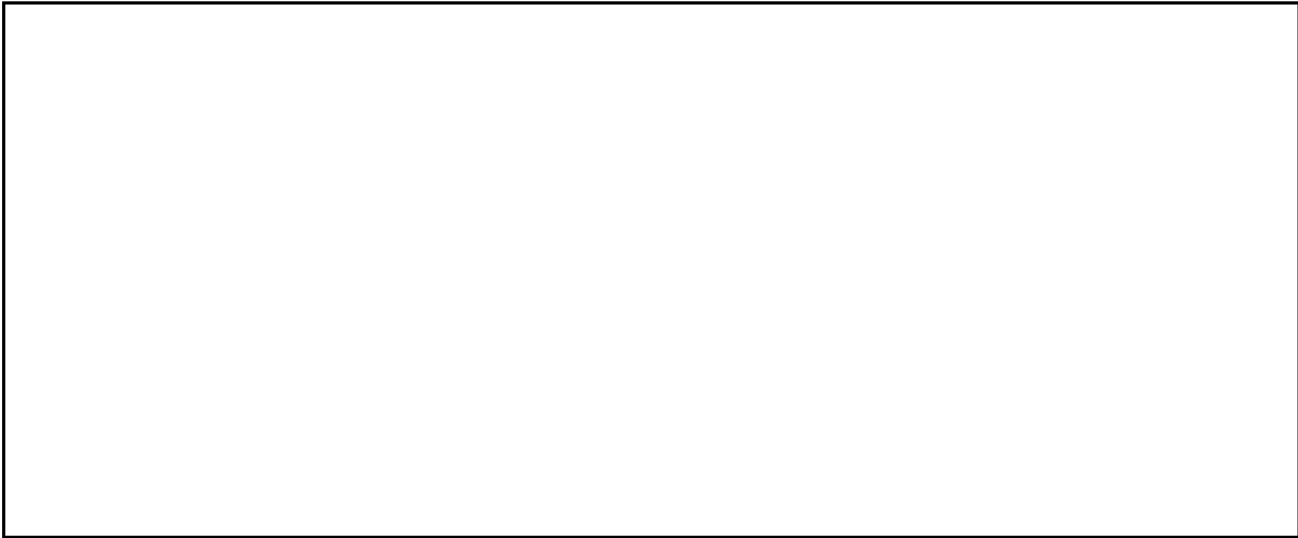


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Discussion: It seems clear that there are further steps the DCI could take to strengthen the collection of economic intelligence without waiting for all of the problems of top management for economic policy to be settled. It is recognized that much has been done during the past few years to broaden the geographic coverage of economic intelligence, and that CIA has done a commendable job during the last two years of meeting many new demands for such intelligence on short notice.

VI. THE ALLOCATION OF COLLECTION RESOURCES

Issue #4: What steps should be taken to prepare a national strategy for the allocation and use of intelligence resources?

Option A. Do nothing beyond continuing the preparation of the annual Consolidated Budget for the Intelligence Community together with recommendations; and prepare an annual review of the progress of the Community for the President, the first review being under way at this time.

For:

1. The Community has been subjected to very sharp budget cuts in recent years, together with a tight budget for the near future in the face of inflation. It takes time to digest these cuts, and the Community should not be kept off balance by the prospect of possible major reallocations of resources in the near future. It deserves a breathing spell.

2. It is reasonable to assume that these budget cuts resulted in correction of some of the most serious misallocations of resources. Furthermore, there are some built-in corrections that take place over a period of time. If you cannot recruit

high level agents in Europe any more, resources for such purposes are reduced. If you can get more good science intelligence out of foreign publications than from agents, you spend comparatively more on exploiting published sources. If you find it more and more difficult to crack codes in sophisticated countries, you reduce the number of intercept stations in those areas. Such changes are taking place all of the time behind the scenes.

3. There is no "scientific," precise technique for allocating intelligence resources. Judgments by experienced people will always be involved.

4. Some of the evaluation procedures of the DCI are providing important guidance for better allocation of resources. For example, one of the key intelligence questions (KIQs) will be selected for analysis. A study will be made to determine what raw intelligence is being collected and what collection gaps there are in answering this question; and also, to determine if there is proper coordination between the amount of intelligence collected and the amount used. Thus this study provides the "base line" information, against which the situation six months later is evaluated.

Against: —

1. The Consolidated Budget for the Community with recommendations has not turned out to be a very dynamic management tool; and the annual progress report to the President is just that, a progress report, not a recommendation as to where we should go from here. I have the impression that, to some extent, the DCI is moving along without any firm frame of reference, or strategy. There is a lot of professionalism in the handling of details and specific projects, but some of the major deficiencies seem to be something the Community just has to live with from year to year.

2. At least some of the people with whom I have talked regarding the allocation of intelligence resources (especially those who are probably not in full sympathy with the President's view that we should maintain a very strong military posture) believe that since the DOD budget includes over 4/5 of the total intelligence funds, the DOD budget for intelligence is obviously too high. They think that a careful study of the allocation of resources will result in a recommendation to reduce the proportion of the total intelligence budget allocated

to DOD for military-political intelligence. I don't think such a result is necessarily so, but a study would be useful to help settle the sharp differences of opinion existing within the U.S. Government today on the equitable allocation of intelligence resources.

3. It is true that there have been many studies of the Intelligence Community, but nearly all of them seem to have been concerned with "moving the boxes around on the organization chart," and not with the allocation of resources or the general strategy for intelligence.

Option B. Organize a high level study group, composed primarily of individuals from outside the Intelligence Community, to make a detailed study of the allocation of collection resources within the Community, and submit options for taking corrective actions.

For:

1. A study made largely by individuals outside the Community would have more credibility than recommendations developed within the Community.

2. Many new technical collection devices and improved equipment are becoming available, and outside experts could be helpful in determining the

best "mix" of these collection methods for the foreseeable future from a cost/benefit point of view.

3. The study group would require reports and make sample checks to determine what proportion of raw intelligence now collected is processed and used, and attempt to make some rough checks of the comparative cost/benefit of alternative collection methods.

4. The issue of the proper allocation of collection resources appears to be sufficiently controversial that an outside look would be helpful at this time.

Against:

1. It will be difficult to recruit qualified persons for the outside study group who are not employed by companies selling the complex highly technical equipment used for intelligence purposes or selling research services to DOD. Would such outside experts be more objective than informed personnel employed by CIA or DOD?

2. Could such a study group produce meaningful recommendations in the absence of any

approved national strategy for intelligence resources? Could it analyze budget figures for intelligence activities of DOD without reference to the overall budget policies of the Department of Defense? Is it realistic to ask outsiders to analyze budget data?

Option C. The DCI would prepare an annual report whose principal product would be a proposed national strategy for intelligence, with options. The input in preparing this report would be the various Community members' budgets; results of studies of major issues in depth (Option C of Issue #1); results of DCI evaluation studies (see, for example, item #4 under Option A of Issue #4; and near term budget data and longer term issues resulting from 5 year planning (see Option C of Issue #2), the planning being subdivided into three or four functional categories cutting across agency and departmental lines.

For:

1. This annual report would replace the Consolidated Intelligence Community Budget with recommendations prescribed in President Nixon's November 1971 Directive. The Consolidated Budget has not proved to be very successful. .

2. This Option would provide a means of

making maximum use of the various studies and analyses discussed earlier for purposes of securing Presidential policy guidance for intelligence activities.

3. An overall national strategy for intelligence would replace present intelligence guidelines which tend to be little more than the summation of ad hoc decisions reached on individual projects. The DCI would have a firmer foundation on which to exercise his leadership role.

4. Certain major issues, such as whether all electronic transmissions taking place in a given part of the world should be recorded and analyzed, can only be raised effectively in a broad report structured as proposed in Option C.

Against:

1. Option C assumes there is enough stability in the world to justify making projections several years ahead with some confidence. This assumption can be questioned at this time.

2. It is possible to be overorganized, to have too precise policy guidelines that reduce flexibility and may stifle initiative.

3. The preparation and clearance of this proposed report would require many hours of the time of very senior officials.

Discussion: The annual Consolidated Budget for the Community, together with recommendations for the President, has not been a success. Various improvements in forward planning, and analysis of stubborn problems, now under discussion or under way, will lay the groundwork for the development of a recommended national strategy for intelligence. A report setting forth such recommendations, with options, would replace the present annual Consolidated Budget.