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20 December 1971

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Jim Taylor, OMB, re Concept Paper

1. Conferred with Jim Taylor re the status of the OMB concept paper. Jim went over its content to date and we discussed various aspects of this "porcupine." I urged that he outline objectives over a phased schedule leading to FY 1975 budget and orienting the FY 1974 thrust to one of issues -- substantive but with cost overlays. He agreed.

2. OMB draft will be run across my desk (informally). to confer with Taylor during the holidays as key point of contact on this subject -- details of which at the moment should be considered DCI proprietary.

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orig - Comptroller files

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Handwritten notes:
11/11/71
J. Taylor

13 December 1971

The attached paper, while in the form of a ^{memo} letter to those receiving the President's memo, is intended to introduce a vehicle to (a) advise the principals of what the Director has done about the Presidential directive, and (b) establish him in the posture of suggesting significant program areas which need careful attention.

It is possible that the content of this letter should be used more as a talking paper by Mr. Tweedy rather than a formal communication and that the substantive pushing of the memo could therefore be eliminated entirely.

However, in order to ensure we hit several of the significant areas addressed in the OMB study, the substantive section should be acceptable to those production elements responsible for the conclusions implied therein.



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DRAFT:

Dear _____:

In addition to his memorandum of 5 November 1971 concerning the Intelligence Community, the President also sent me a letter in which he established three goals for the Intelligence Community:

- A more efficient use of resources in the collection of intelligence information.
- A more effective assignment of functions within the Community.
- Improvement in the quality and scope of the substantive product.

To accomplish these goals he assigned to the Director of Central Intelligence new responsibilities:

- To assume leadership of the Community in planning, reviewing, coordinating and evaluating all intelligence programs and activities, and in the production of national intelligence;
- To provide judgments on the efficiency and effectiveness of all intelligence programs and activities;
- To recommend the appropriate allocations of resources to be devoted to intelligence.

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On December 3rd I responded to the President's request as follows:

- Within the law and in the spirit of the President's request I have delegated to the Deputy Director of Central Intelligence the authorities necessary to manage and direct the day-to-day operations of the Central Intelligence Agency.
- To advise me on matters pertaining to the Intelligence Community I have established the position of Deputy to the Director of Central Intelligence for the Intelligence Community (D/DCI/IC). His staff will be built around the small group which has helped me with the Community responsibilities in the past.
- I have established a Community Comptroller's office within D/DCI/IC to perform all the usual functions of planning, programming, and budgeting for the overall program, to draw up the Consolidated Intelligence Program Budget, and to provide staff support to the Intelligence Resources Advisory Committee. The office will be staffed with experienced intelligence officers drawn from the Community. I shall look to this staff, working with program managers, to review program submissions and manpower needs, and to identify redundancies, duplications, excessive investments in particular systems, and the like.

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The D/DCI/IC will also conduct special planning and program evaluations so as to insure that over the long term the US foreign intelligence effort is sharply focused on consumer needs.

I will look to the Assistant Secretary of Defense for Intelligence and to ExCom as the primary points of contact in all matters relating to Defense intelligence programs.

Although I expect to make some special presentation to the President and the Congress for Fiscal Year 1973, the first Consolidated Intelligence Program Budget will be put together for FY 1974. If it is to satisfy the President and the Congress, it cannot be a simple aggregation of the budgets and programs of each intelligence component. Rather, it must clearly show that intelligence activities relate to national needs and consumer requirements. Cross-program analysis will be essential, as will the presentation of resource options.

I do not propose becoming involved in the numbers aspect of the fiscal guidance process. Rather, at the outset of these new duties, I suggest the following considerations as directly applicable to FY 1974 intelligence programs:

- It seems clear that the Intelligence Community will not receive either more men or dollars to do its job -- indeed, it may find its aggregate resources reduced.

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- The cost of technical collection systems dictates that their application should be limited generally to problems related to the strategic balance and to those which cannot be resolved otherwise; e. g. by more thorough analysis of existing data or by alternative and less expensive collection methods.
- Clandestine collection is also an expensive way of gathering information. It will have to be carefully coordinated as provided by NSCID 5 and normally restricted to matters which cannot be addressed by overt means.
- The Intelligence Community may not be adequately exploiting the data which it collects or which is available from open sources. All agencies must make a special effort to insure that this is clearly not the case.
- The administrative procedures and security compartmentation associated with the intelligence process are costly and they inhibit the exchange of both substantive and managerial information. Program managers must make a serious effort to reduce this burden.
- Finally, there will develop in the coming years, many new opportunities to improve the product and performance of the Intelligence Community by maximizing inter-agency cooperation. We must look for these new ways to make an integrated intelligence process out of our individual activities.

With respect to substantive matters, DCID 1/2 has been revised to address national intelligence objectives and priorities. This should be of assistance to program managers in their program development. In developing the optimum combination of collection and analysis within resource constraints, the pattern of resource use will be influenced by current gaps and deficiencies. Thus, the following are some of the problems which face us:

- While the Community has an improving ability to monitor Soviet military capabilities and deployments, there is little known about Soviet strategic intentions. What will Soviet military objectives be now that there is approximate strategic parity? Will they be more aggressive in their commitment of conventional forces under the umbrella of strategic parity? Will their R&D efforts be oriented toward technological competition alone, or to the achievement of surpassing military strength? Will they free resources for domestic purposes?
- With regard to China, over time we must develop means to provide the same kinds of intelligence which we have for the USSR. Some questions are: what strategic and conventional military strength are the Chinese trying to achieve? What are Chinese intentions toward the US, the USSR, South and Southeast Asia, and Japan? What problems face the Chinese

in their domestic affairs, economic and political?

-- There is a class of problems which is essentially scientific or technical in nature but which is amenable to a broad mix of analytical and collection efforts. For example, with respect to Soviet strategic weaponry, it is now highly important to emphasize the study of quality since the question of quantity is more easily solved. With respect to both the USSR and China the Community needs to know more about the results of underground nuclear testing and about the "drawing board" stages of foreign technological development, especially for long lead-time weaponry, but also for non-military R&D. Yet an understanding of what is going on



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-- International economic relations have assumed greater importance and the potential difficulties for the US in this field are profound. Economic issues seem to be sufficiently strong to cause the separation of European interests from those of the US. In



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- Questions concerning Free World military forces are also likely to take on greater importance. This is particularly true if intelligence is to adequately advise policy makers during negotiations for Mutual Balanced Force Reductions and in the period following any agreements.
- While many of the less developed countries of the world are currently of little security interest to the US, their economic and political problems can disrupt US access to important natural resources. Over time, the growing imbalance in quality of life between citizens in consumer nations and those who live in countries which produce mainly raw materials may increase the magnitude of this problem. US intelligence must be especially sensitive to such developments in their early stages.
- Finally, new initiatives must be taken in conceptualizing the problems of intelligence. Every agency should expend some effort on the development of new analytical methodologies -- in the soft sciences as well as the hard. There should be general improvement in the ability of the Community to forecast with longer lead time developments elsewhere in the world, whether coups or insurgencies, the likely impact on another country of some US policy, or the probability that a new offensive or defensive weapon capability will be developed by a hostile country.

I must be able to assure the President and the Congress that the managerial and substantive concerns which I have outlined above are being seriously addressed by the Community. Attention to the quality of the intelligence effort and to its management should increase the confidence of both primary consumers in the intelligence product and in the reasonableness of its cost.

Richard Helms