

McCone replied he had asked his deputy and the comptroller to undertake a searching review of all the Agency's programs with a view to eliminating marginal or outdated activities. He said that more than 15 years of experience in the government had convinced him a continuing pruning process was required. As for the next year's budget, the DCI thought it would escalate some, noting that the Agency had to perform tasks levied on it by the Special Group, for example.

Bell said that the Bureau was especially concerned about dollar spending and asked that the Agency analyze its programs in hard currency areas such as NATO and Japan which involved direct dollar costs (procurements and subsidies to local organizations) and indirect costs (resulting from the presence of staff personnel who spent money in the area). McCone agreed to have such an analysis undertaken, but he pointed out that certain activities which involved dollar drains, such as the Defector Reception Center in West Germany, could be carried out in the United States, but at a much greater cost. Furthermore, moving activities back to the United States would increase the headquarters component and would involve policy and legal problems.

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Bell recognized the problems, and said that what the Bureau wanted was an assurance that a decision to continue activities in hard-currency areas had been taken after a serious consideration of the dollar impact had been made. Amory noted that we might consider financing in whole or in part, by all or one of our NATO allies.

The discussion then turned to the possibility of the Department of Defense recognizing that one of the greatest potential source of savings lay in the realm of military intelligence activities. Bell asked if the DCI were in a position to review specific military projects from the point of view of costs as well as effectiveness. The DCI observed that, with respect to his relations with the military services and NSA, he would have to proceed slowly. He said that he expected to create a new staff through which he would exercise his responsibilities as coordinator of the intelligence community. He noted that he had been instrumental in selecting the new Director of NSA, General Blake. He said that the military services would continue to sit as members of USIB for at least six months. In the meantime, the Secretary of Defense was reviewing carefully any proposals to increase the military intelligence establishment pending the consolidation of intelligence activities in DIA. Amory stressed the Bureau's hope

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