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NOMINATION OF E. HENRY KNOCHE

HEARING

BEFORE THE

SELECT COMMITTEE ON INTELLIGENCE

OF THE

UNITED STATES SENATE

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

NOMINATION OF E. HENRY KNOCHE, TO BE DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

WEDNESDAY, JUNE 23, 1976

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NOMINATION OF E. HENRY KNOCHE TO BE DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

WEDNESDAY, JUNE 23, 1976

U.S. SENATE,
SELECT COMMITTEE ON INTELLIGENCE,
Washington, D.C.

The committee met, pursuant to notice, at 9:46 a.m., in Room 235, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman) presiding.

Present: Senators Inouye, Baker, Bayh, Stevenson, Hathaway, Huddleston, Morgan, Case, Thurmond, and Garn.

Also present: William G. Miller, Staff Director; Michael Madigan, Minority Counsel.

The CHAIRMAN. The Select Committee meets today to consider the nomination of Mr. E. H. Knoche for the post of Deputy Director for Central Intelligence. The committee has already had the opportunity of hearing Mr. Knoche in executive session during a 5-hour session held last week. I can report that Mr. Knoche demonstrated through extensive testimony that his qualities for the post are of an extraordinarily high order.

Senator Randolph was invited and accepted our invitation to introduce Mr. Knoche to our committee. He was here earlier but, due to the delay in commencing the confirmation hearing, it was necessary for Senator Randloph to leave to attend committee meetings of Public Works, of which he is chairman, and Post Office and Civil Service. His statement follows in the record.

STATEMENT BY SENATOR JENNINGS RANDOLPH

Thank you, Mr. Chairman, for inviting me to join in this hearing on the confirmation of E. Henry Knoche as Deputy Director of the Central Intelligence Agency. It is a genuine pleasure for me to introduce this native West Virginian, who for the past 23 years has served the Agency in a variety of top analytic and management positions. Prior to this hearing, I met with Mr. Knoche and his sons to discuss in general his thoughts about the vital mission of the CIA and the development of its programs and associations internationally.

As you know, he is a native of Charleston, West Virginia, where his father was engaged in the insurance business. He left our State with his parents at a very early age. However, he returned to his native State to attend Bethany College. While at Bethany, he was a varsity basketball and tennis player and participated in a number of tennis tournaments at nearby Oglebay Park in Wheeling.

Mr. Chairman, the nominee's distinguished career and achievements as a public servant are known to this committee. I genuinely appreciate this opportunity to provide these brief remarks of introduction and urge you and the members of the committee to give thoughtful and, hopefully, favorable consideration to Mr. Knoche's nomination as Deputy Director. Thank you.

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The CHAIRMAN. This is the first nomination that the Select Committee on Intelligence has had to consider since it was formed on May 19. The post of Deputy Director of Central Intelligence is an important one. The investigations of the past year and important shifts in the international scene have caused changes to be made in the intelligence community. The new Deputy Director will have increased responsibility not only in the day-to-day management of the Agency, but in helping to meet the serious new problems created by changing power relationships in the world.

The nomination of Mr. Knoche, who has spent most of his 23-year career on the analytic side of the Agency's work, is an important indication of the emphasis that the U.S. Government now places on the intelligence analysis function. The provision of the most accurate and timely information about the capabilities and intentions of other nations and groups, to the President, his advisers, and to the Congress is the main reason for the existence of the Central Intelligence Agency and the intelligence community. I am pleased that someone with Mr. Knoche's qualifications and experience has been proposed for this post.

Both the executive branch and the Congress are undergoing a reevaluation of their purposes and responsibilities, as well as a new definition of their relationship to each other in the area of intelligence activities. Significant changes are taking place. They are long overdue. To make them work will require mutual cooperation and understanding between the branches of Government. This committee will make every effort to carry out its responsibility to oversee the intelligence activities of the United States with vigor and effectiveness. It will make every effort to assure that the intelligence agencies of the United States are the best in the world, but perform their necessary functions under the law.

The duties placed upon this committee are many. We must monitor all the activities of the agencies. We must write new charters, clearly defining the missions of the intelligence agencies. Most important, we must restore confidence in the belief that the intelligence agencies of the United States are serving to preserve and strengthen the liberties of the American people.

Before calling on our nominee, I would like to recognize the vice chairman of the committee, Mr. Baker.

Senator BAKER. Mr. Chairman, thank you very much. I join in welcoming Mr. Knoche to this first series of confirmation hearings. The hearings, as the chairman pointed out, are significant even beyond the importance of the confirmation of this nominee in that they represent, I believe, a historic first, the exercise of institutionalized and regularized public congressional oversight of the intelligence community. It is a matter of great interest to me and one that I have hoped for and worked for for a long time.

I join the chairman as well in saying that I believe this man to be extraordinarily well qualified to serve in this position. I would also like to say in advance that based on the testimony that we have received in executive session, and having observed his conduct and demeanor while testifying on matters of great sensitivity previously, and having examined his financial disclosures and other materials given to the committee, I am prepared to say that I intend to vote for his confirmation as Deputy Director.

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The CHAIRMAN. Any further statements before we call upon Mr. Knoche?

Then the committee welcomes you, sir, and if you do have any statement, it is your show now.

Senator THURMOND. Mr. Chairman, I might make a brief statement.

The CHAIRMAN. Senator Thurmond?

Senator THURMOND. I have been impressed with Mr. Knoche, his background, his training, and I think he is well qualified, and I shall be pleased to support him.

The CHAIRMAN. Shall we close the meeting at this point?

[General laughter.]

STATEMENT BY E. HENRY KNOCHE, NOMINEE TO BE DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

Mr. KNOCHE. Thank you, Mr. Chairman, Mr. Vice Chairman, Senator Thurmond.

I do have a statement, Mr. Chairman, that I would like to read for the record.

Mr. Chairman and members of the committee, I feel very privileged to appear before you today, having been nominated by the President for the post of Deputy Director of Central Intelligence.

I have served the country in military service and in intelligence work for more than 28 years, the last 23 of which have been in the Central Intelligence Agency. Most of my service in CIA has been connected with intelligence analysis and production. I have also served as a staff assistant to both the Director and the Deputy Director of Central Intelligence. More recently, I was the Director's assistant for liaison with the President's Commission on CIA Activities within the United States as well as with the Select Committees of the Congress in connection with reviews of past intelligence activities. Most recently, since last August, I have been assigned as an Associate Deputy Director engaged in helping the Director to coordinate the activities of the entire Intelligence Community, including CIA.

In the job for which I have been nominated, I will serve under Director George Bush. In accordance with his wishes and as directed by the President's Executive Order 11905 of February 18, 1976, I will act as the officer responsible for the day-to-day operation and management of the Central Intelligence Agency.

Mr. Chairman, the CIA is responsible for collecting, evaluating and disseminating foreign intelligence information and judgments. Our purpose is to inform or alert the President and his advisers about foreign situations and prospects. The better we do in our work, the easier is the Government's task of formulating foreign policy. Keeping the peace rests in large measure on our ability to provide the best possible intelligence assessments.

The collection, analysis, and production of such intelligence today requires a combination of technology, human sources, and special methods. Secrecy of necessity surrounds this work. The secrecy is necessary not because we wish to keep the American public in the dark, but simply because it is often easy for potential foreign adversaries to counter our ability to gather information. In short, we could be blinded if our sources and methods became known. As this

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committee knows, the Director of Central Intelligence is charged by law with protecting our Nation's intelligence sources and methods.

The CIA, when directed by higher authority, also carries out certain covert actions to lessen the prospects of hostilities or other problems abroad. There appears to be general agreement and certainly I feel strongly, that our Government needs such a capability.

Mr. Chairman, out of the reviews of American intelligence carried out first within the CIA and later by the President's Commission on CIA Activities Within the United States have come new guidelines for conducting intelligence activities in the form of the President's Executive order and policy statements and regulations issued by Director Bush. It is recognized that Congress may wish to add to those guidelines.

We know that strong oversight arrangements in the Executive and in the Congress will be features of our future. We welcome them. I pledge to you that we will meet the external oversight with improved internal management and oversight to keep our work within the law and the bounds of propriety. I want to assure this committee, and through it the Congress, that the CIA is a disciplined and constructive agency, one that will adjust to and abide by the guidelines set for it in carrying out activities so important to the well-being of our country. Let me add here a personal assurance. As a Presidential appointee confirmed by the Senate, I would be very much aware of the fact that I will be fully accountable to the Director, to the President, and to the Congress for my actions and those of the Central Intelligence Agency.

The CIA and its people have been the subject of much criticism over the past year or so. Despite the turmoil, our people have proved their professionalism; day-to-day efforts to collect and evaluate foreign intelligence information, and to produce assessments of foreign situations, have never flagged.

Working with Director Bush, I will do my very best to continue the CIA's productive work and to keep it fearlessly honest and objective. I believe the quality of the work is very high, and I will strive to make it even better. The CIA's intelligence product must be responsive to the needs of the President and the National Security Council. We want to improve our intelligence support of the Congress as well, and we will cooperate as fully as possible in meeting Congressional needs.

To sum up, Mr. Chairman, I would like to say that I am proud to be a career intelligence officer of CIA. I believe deeply that it is essential, given the nature of the world, that our country have a strong and effective foreign intelligence capability. The quality of the men and women in CIA and their professional discipline and patriotic motivation is extremely high. I know I can count on their full support.

Mr. Chairman, I hope that the confidence the President and Mr. Bush have placed in me by nominating me for this difficult job is justified, and I hope I will have your confidence as well. Certainly I look forward to facing the challenges and the opportunities in the tasks ahead.

Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Knoche.

Being aware that all of us would like to participate in the questioning of Mr. Knoche, I would like to limit the first round to 10 minutes per member, and I will begin the questioning.

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A number of significant CIA policies are embodied in CIA internal regulations rather than being fixed by statute. As the head of the CIA the DCI can waive the application of these regulations, or simply change them, without notifying Congress. If confirmed, will you provide the committee with a full set of CIA regulations, and will you notify the committee of any changes that affect these regulations?

Mr. KNOCHE. Yes, sir.

The CHAIRMAN. The authority of the CIA to engage in certain activities rests on directives issued by the National Security Council called National Security Council Intelligence Directives, NSCID's. These NSCID's were often referred to as the CIA's "secret charter" and were withheld not only from the public but also, until recently, from Congress. If these NSCID's are revised, or if new NSCID's are issued, will they be provided to this committee?

Mr. KNOCHE. Sir, I don't want to cavil in answering that. As far as I am concerned, they should be provided to the committee; however, there are intelligence directives of the National Security Council, and the Central Intelligence Agency is not the custodian of them. I think the full answer to your question has to come from elsewhere within the executive. But I certainly in principle have no objection whatsoever to providing the NSCID's.

The CHAIRMAN. Since 1961 the GAO has not audited the expenditures of the CIA. Specially cleared GAO auditors are now auditing NSA expenditures; others will have access to FBI materials. Are you willing to let specially cleared employees of the GAO, the investigating arm of Congress, have access to all CIA materials on expenditures?

Mr. KNOCHE. That is certainly worth considering, Senator, and I don't have any personal objection to that whatsoever. I think working with this committee and others that might be formed of a somewhat similar charter on the House side, that we would want to work together to develop some guidelines for that.

I am not at all sure what happens in the case of GAO reporting as to what extent their findings and recommendations are made available across the board through the entire Congress. There will be some sensitivity, some secrecy that attaches to any such GAO study, and the manner in which that is controlled and focused within the properly constituted oversight authorities of the Congress is something that we would want to consult about.

The CHAIRMAN. Prior to 1961 GAO did audit your books. Did you find this to be a reasonable and satisfactory practice?

Mr. KNOCHE. It gave us no particular pain, but I think the head of the GAO had some difficulty with it. One of the things that conflicts a bit with the GAO's charter is the statutory responsibility of the Director of CIA to protect sources and methods, and I think that if the Congress in its wisdom wants to employ the GAO to go into the intelligence world, that we need to develop some guidelines as to how we can work out the proper arrangements there.

The CHAIRMAN. May I request through you that the CIA and its appropriate officials get together with GAO and come up with suggested guidelines that we can look over?

Mr. KNOCHE. Certainly, sir.

The CHAIRMAN. The Hughes-Ryan amendment provides for Presidential certification that the covert actions undertaken by the United States are important to the national security. The law also requires

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that the appropriate congressional committees be briefed on all covert actions, not just major projects. Can you assure the committee that it will be notified of all covert actions?

Mr. KNOCHE. Yes, Mr. Chairman, I think that working with the committee and the staff, we can develop ways for doing that in an orderly and regular way. There are a number of small details that pertain to some forms of covert action, but I think that we can work out an arrangement with the committee whereby they would be categorized and made the subject of periodic briefings, and I would be glad to work with the committee and the committee's staff in trying to do so.

The CHAIRMAN. I have several questions here that I believe should be submitted to you in writing because of their sensitive nature. May I request that these questions be studied and responses be made for classified files, sir?

Mr. KNOCHE. Indeed, sir.

The CHAIRMAN. Under Executive Order 11905, the General Counsel and the Inspector General are required to report to the Intelligence Oversight Board on activities that raise questions of legality and propriety. They must report allegations involving such activities and the results of their investigations. They are also required to report any instance where they are instructed not to make such reports.

Will you instruct the General Counsel and the Inspector General to provide to this committee similar reports to aid this committee in its oversight function?

Mr. KNOCHE. Yes, sir, I will.

The CHAIRMAN. At present the General Counsel is required to refer to the Department of Justice allegations that activities by CIA employees violate Federal law. In order to assist the committee in its oversight role will you instruct the General Counsel to notify the committee when and if such a referral takes place?

Mr. KNOCHE. Yes, sir, I will.

The CHAIRMAN. Since 1973 the Director of Central Intelligence has regularly issued a call to CIA employees to report to him any activities which raise questions of legality or propriety. Early this year Mr. Bush issued such a call. Will you regularly remind CIA employees of this duty?

Mr. KNOCHE. I think this is a desirable practice and I intend to see to it that it is continued, sir.

The CHAIRMAN. If an Agency employee were fearful, for whatever reason, of reporting a questionable activity to either the CIA Inspector General or the Intelligence Oversight Board, should he or she be able to come directly to this committee without fear of reprimand?

Mr. KNOCHE. Indeed, sir.

The CHAIRMAN. One of the most effective tools of the Inspector General is the component survey, an indepth study of a particular segment of the CIA such as the Office of Current Intelligence. Will you have the Inspector General notify this committee of the schedule of component surveys and make the results of the surveys available to the committee?

Mr. KNOCHE. I will be glad to work out arrangements to try to keep this committee informed of the surveys, sir, but I would like to take a slight reservation in committing myself to making the fullness

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of such investigations, available to this committee, not because I wish to withhold the findings and conclusions of such a report, but simply because I don't want to inhibit the process by which they are made within the agency. We regard those as management tools. They are findings and views with the bark off so that we can, as managers of the place, take actions as appropriate to deal with anything that is out of order.

But if they are written with an eye toward the outside, the process could be inhibited, and I would like to work with the committee to develop means and ways of assuring that this committee is informed in general, and hopefully in as specific ways as possible of the findings of Inspector General surveys within the Agency, but I hesitate to commit to providing this committee with a full set of the Inspector General's findings.

I don't wish to pick a fight on this issue at all, but I do believe that there is wisdom in keeping within the management of the Agency a cleansing process of that type, and working with the committee in establishing ground rules on how we can keep the committee informed on those findings.

The CHAIRMAN. Fine, sir.

It has been suggested that CIA employees having access to secret intelligence might misuse that information to personally profit from their positions of trust. What steps have been taken to prevent this from occurring?

Mr. KNOCHE. Those CIA employees who have a managerial responsibility in which there is a potential for a conflict of interest, as in the case of those CIA employees who must authorize contractual relationships for procurement of supplies, must make a confidential rendering of their holdings to higher authority within the Agency so that a determination can be made by the supervision within the Agency and by the lawyers within the Agency as to whether there was a conflict of interest involved. We regard that as a safe practice, one that we would intend to head off any malfeasance or any problem.

The CHAIRMAN. Well, thank you very much. I know my allotted time is expired.

I would like to recognize Senator Bayh.

Senator BAYH. Thank you, Mr. Chairman.

Mr. Knoche, I, too, was very impressed with your participation in the briefing which we had in executive session and was impressed by your past record of public service, and I am prepared to support your nomination.

I would like to confine my remarks, Mr. Chairman, to one specific area that really was raised in your initial questioning relative to the Hughes-Ryan Act.

Mr. KNOCHE. Yes, sir.

Senator BAYH. This act requires that appropriate committees of Congress be briefed on all covert action. Of course, this is one of those committees. Your response indicated a willingness to deal with this in a manner that would make it possible for us to manage, if I interpret it, the volume of such information.

The information that has been made available to this committee so far indicates that there are varying degrees of covert activity as far as their impact on our country, its policy, and the world *in toto*.

Mr. KNOCHE. Yes, sir.

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Senator BAYH. Some of the relatively insignificant as well as the significant items were brought to our attention earlier, and we were made painfully aware of where certain covert activity can lead and impact on this Nation or others.

I am concerned about what you can do in your post, and what Mr. Bush can do in his post, to make certain that those of us who are representing the Congress of the United States, can have some knowledge and thus some input into covert activities that are not relatively insignificant housekeeping operations; but which, if permitted to assume that initial momentum, can snowball and lead to consequences that have a rather dramatic impact. I realize that the President has a very strong initiating role in this, but as a Member of Congress I am not prepared to let that go, absent the kind of perusal that I think this committee is supposed to give it. Could you give us your thoughts in particular? I make it a statement instead of asking a question here, but I would like to get your general thinking on how we handle this.

I admit to you, sir, I have mixed feelings about covert activity. I think common sense can point out some areas where it is in the best interest of the United States, and if that policy were put to a referendum we would get 98 percent support of the people. Yet, if the way we proceed to make that policy or implement that policy is made public in advance, it might destroy our ability to achieve that purpose. On the other hand, I feel that if it is in the best interests of this country, why shouldn't we throw it out on the table and let the people know what is going on? Why should we have to find out about funds being channeled one way or the other, or mercenaries ending up in places where, after the fact, we wish they weren't?

Could you tell us what you can do, in line with your responsibilities, to help us have input in this kind of thing before it is too late?

Mr. KNOCHE. Well, let me take a crack at that. That is a very large order indeed, sir. What you are basically talking about is the relationship between the Congress and the highest authority in the executive department. We in CIA are but an instrument within the executive department. So you have given me a very tough question to answer, but let me take a crack at it.

In the first place, when this Government resorts to covert action as a means of trying to ease or modify a foreign situation which has elements of danger within it, it has basically two choices at either extreme. One is either a diplomatic note or a visit by an ambassador, which tends to be very *pro forma*, formal, and has the official American handle all through it; all the way to the other extreme of sending in the Marines, or taking very aggressive action to correct that dangerous situation abroad. Covert action is designed to be middle ground between those two extremes, in which one goes about quietly, hopefully intelligently, to modify the situation in the best interests of the United States.

Now, one of the things that makes covert action so difficult and so controversial is that you employ it, any government employs it, only when the stakes are rather high and when a diplomatic note on the one end of the spectrum is not going to work out your problem for you and you don't want to go to war on the other end of the spectrum. So the odds are tilted a little bit against the prospects for covert action being entirely successful in the first instance. If it

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was an easy kind of a problem to deal with, you would use the ambassador and a diplomatic note in the proper formal relationships between countries.

When the Government is considering a resort to covert action in the case of a very difficult international situation, I think CIA should employ its best intelligence analysts, those who earn their pay by making judgments about how things are apt to take place over the next several years, to judge the effects of a failure of a covert action or provide an input to the planners of a covert action. That way we get a better mix of inputs into the planning of a covert action—the analysts as well as the operators.

I think, to be useful to the President and to others in the executive charged with carrying out foreign policy, that we in intelligence can give them a more rounded package to operate from when they are deciding on whether or not to employ covert action as a means of advancing American goals or objectives.

I don't know whether that is helpful to you.

Senator BAYH. Well, let me pursue it just a bit because I realize, as you pointed out, this is a question that involves the CIA almost being between a rock and a hard place, if indeed there are differing opinions between what Congress might desire and what the President's thoughts are. My question really goes to the timing of getting us involved in this oversight process before it is too late.

Now, let me use two specific examples and ask you not to get involved in a controversy between the President and Congress, but to tell this committee where you feel your responsibility is as far as letting us know when we should have access to this information. Example one, the President believes that in a certain country it is important enough to the interests of the United States, that we should take money channeled through the various CIA sources and pay mercenaries to participate in an armed confrontation. Example two, suppose it is the President's feeling that because large amounts of money are being poured into a country to try to affect the outcome of an election that is supposed to be determined by the people living within the country, it is necessary for this country to provide funds to try to balance it so the people will have a chance to make an objective decision. How do you feel that we should be informed on the situation?

Mr. KNOCHE. Well, Senator Bayh, I don't want to give you a cop-out on that one, but basically the CIA is an instrument of American foreign policy. When higher authority—and in our lexicon, when we talk about higher authority we are talking about the President, the Secretary of State, and the President's Assistant for National Security Affairs—when those gentlemen, in their judgment, decide that there is something useful for intelligence to carry out by way of covert action, we find ourselves involved in that kind of thing. We are not the judges as to when we perform covert action, we are tasked by those above us who control us.

As I say, I don't want to give you a cop-out in trying to answer this. It is a very difficult question. But I think this committee is going to have to get some understanding from the White House or from the Secretary of State on the policy objectives, what it is that is intended. We are simply the instrument through which this kind of policy is carried out.

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Now, I don't know that that answer is entirely satisfactory.

Senator BAYH. Well, it isn't. Let me be frank with you. I don't know that you can give any other answer, but it is not very satisfactory to me because I assume we can take this President or some subsequent President, whoever that might be.

Senator GARN. Will the Senator yield for just one comment?

Senator BAYH. Yes.

Senator GARN. Birch, I think one comment, we are in the early stages of forming our own rules and regulations, and I agree, the answer is not entirely satisfactory, but I don't think that Hank can answer it at this point. I think as we work over the next 2 or 3 months, I think that is one of our specific charters in S. Res. 400 that we must come up with guidelines.

So I think we as a committee working with the CIA and the administration, that is our specific charter, to come up with some rules and regulations and guidelines as to exactly how your question will be answered and how we will be notified.

My point is I think it is a little premature for any of us. I don't know the answer to the question either. I agree with what you are saying, there has got to be some means whereby we will be notified and can have input before it is after the fact.

Senator BAYH. I think Mr. Knoche was right on target when he recognized the conflict between ultimate authority in the executive branch and the legislative branch. That's what I mean, you are in the middle.

Mr. KNOCHE. That's right.

Senator BAYH. It cannot be answered. I was about to say, and I appreciate my colleague's giving us his thought about it, but I don't think you are going to answer sitting here. What we had better ask this committee is, and we had better let you know, or at least I as one member of the committee want to let you know that I want us to get information at the earliest possible moment so that we can have some congressional input before the horse is out of the barn.

We are going to have to develop that with the President, and I don't ask the question just to this President. Heavens, we have had a track record back over the years, and I suppose we are going to have to work this out with other Presidents as they come and go. But I think this is a very important area, and I would like this committee, Mr. Chairman, to be on record as wanting that information as quickly as we can have access to it.

The CHAIRMAN. With that, I would like to most regretfully advise you that your time is up.

Senator BAYH. Well, I am ready to yield.

The CHAIRMAN. Senator Garn?

Senator GARN. I have no questions, Mr. Chairman, since I had an opportunity to sit down in the executive session and meet Mr. Knoche personally in my office and talk to him. I think he is one of the best appointments I have seen in the relatively brief time that I have been in the Senate, on this or on my other committee assignments as well. I am very pleased with the appointment, and happy to vote for his confirmation.

Mr. KNOCHE. Thank you, Senator Garn.

The CHAIRMAN. Before proceeding, I would like to announce that we have with us a proxy from Senator Goldwater supporting the

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nomination of Mr. Knoche, from Mr. Huddleston, likewise, and from Mr. Hathaway. Regretfully I will have to be leaving here soon to preside over the markup of an appropriations bill, and so I will relinquish the chair to Senator Bayh. Before doing so, I would like to recognize Senator Stevenson.

Senator STEVENSON. Thank you, Mr. Chairman.

Mr. Knoche, I share the sentiments of my colleagues. I, too, have been favorably impressed by your professionalism and all of your qualifications, demonstrated by your statements and conversations and in the prior meetings of this committee.

Mr. KNOCHE. Thank you, Senator.

Senator STEVENSON. Among those qualifications, with your background in analysis, can you tell us what if any thoughts you have, or plans for improving the analytic capability of the Agency?

Mr. KNOCHE. Senator Stevenson, I think you have put your finger on the most important area that we confront. We are happy to tell ourselves, and we often do, that the CIA product is the best that is available in town. Well, that is simply not good enough. It needs to be made better and I think the fundamental challenge before us in the analytical and production area of intelligence is to blend together the various disciplines. Increasingly in this very complex world in which we live we find that it is no longer apropos simply to make a political judgment about a political situation in some foreign country, or merely to count up the potential adversaries, divisions and airplanes in the field, that is, military analysis.

Today when one is trying to assess foreign leadership and how that foreign leadership might make its decision, you have to take a look across the board, the domestic political situation in that country, the military situation, its strengths, weaknesses, certainly the economic situation not only within that country but internationally, and how that foreign leader will make his decisions in the face of those conflicting kinds of pressures, to say nothing of his own domestic political situation, his own sense of strength and weakness.

Over the years the organization of the analytical components of the intelligence community has tended to be specialized in politics, military affairs, economics, geography and so on. It is my view that the future, sophisticated analyst, will be an expert and a practitioner in all of those fields. And it is a blending of all of those things and trying to judge foreign countries and their likely evolution that is the challenge before us.

Senator STEVENSON. Do you have any specific plans for improving that capability within the Agency.

Mr. KNOCHE. Yes, sir, I do. As I have said, that to me is the first and foremost of the tasks that confront us within the Agency, and I intend to keep that on the front burners, as long as I am in this position, assuming I am confirmed.

I have only one other word, and that is that the mode of presentation of intelligence is an important thing to think about in the future. We hire, promote, and advance intelligence analysts on their ability to write and to put out the printed word. Increasingly we are running into policymaking consumers of intelligence information who are accustomed to getting their information in different modes, either through oral presentations or electronic presentations. There is a new breed or a new generation of consumers of intelligence products,

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and we have got to keep abreast of new media to make sure that we can get across these very difficult depictions of foreign situations in ways that go beyond the mere printed word.

Senator STEVENSON. That statement is reassuring to me as far as it goes, and I am concerned that the sources of American authority in the world and security are not rooted exclusively in military, and not just political, but increasingly, economic conditions that need careful study and analysis for the purposes which are not just the economic.

Now, it is not enough, it seems to me, just to improve the analytic capability of the Agency. The analysis can be only as good as the intelligence.

Mr. KNOCHE. Yes, sir.

Senator STEVENSON. At some point decisions have to be made as to what kind of intelligence should be collected. What can you tell us about how those decisions will be made with specific reference to procedures for cooperation between the Central Intelligence Agency and the agencies for intelligence within the Department of Defense which have a major collection responsibility? How can we be assured these procedures for the determination of what will be collected will reflect the kind of considerations that you have mentioned, and safeguard against any temptations in the Defense Department to go for the exclusively military data?

Mr. KNOCHE. I think that is a very valid question, Senator Stevenson, and one that deserves our continuing attention within the intelligence community. We have tried very hard to devise collection systems to be matched against very specific sets of questions and requirements, and we have tried very hard in a collective community kind of way to set priorities against those needs so that we are not short-circuiting the collection of interdisciplinary kinds of information, military, political, economic, and so on.

One of the things we have not done too well and are trying hard now to improve is the evaluation of all this. How good is the collection machinery in responding to the needs that we set for it? Must we always give requirements to all of our collection vehicles, whether they are technological or human resources? The answer to that is obviously no, because nobody can afford that large intelligence budget. We have got to be more intelligent, more selective about what questions we give to our collection capacity in ways that will help us answer the problems that confront the policymakers.

I hope that answer is helpful to you. We intend to improve our evaluation of the whole intelligence process so that we can make resource trade-offs and judgments and try to keep the cost of all this down.

Senator STEVENSON. Is the relationship with DOD taking on any reevaluation now? I ask that because of the concern you have already expressed about the coordination of all these activities related to making them efficient, and because civilian control and accountability to all of the relative agencies of Government, including those of Congress, and let me just throw in another question.

If in the process of collection, analysis, production, and so on, estimates or analyses are produced that are relevant to policy considerations of committees of Congress, maybe it is the Agricultural Committee, having to do with low crop conditions, or Interior Committee

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or whatever it is, or the energy jurisdictions; will you make it available? And by that I don't mean just make it available. They can be told about it. That doesn't always happen, but volunteer information that is relevant to considerations that are going on up here that aren't necessarily in Armed Services or in this committee or in Foreign Relations?

Mr. KNOCHE. Absolutely, sir. The nature of the requirements that go in intelligence have changed remarkably over the last couple of years in recognition of some of the things you are talking about here. There is need for improved economic intelligence. It is true that 80 percent of the national intelligence resources go into Department of Defense intelligence programs. I know that there is concern that there is too much attention being given to military intelligence problems as compared to some of the things you are talking about. Under the provisions of the new Executive order, Director Bush is the Chairman for Foreign Intelligence, which is a three-man committee, as you no doubt know. The Director of Central Intelligence chairs it, the Deputy Secretary of Defense, Robert Ellsworth, and Deputy Assistant to the President for National Security Affairs, William Hyland are the other members. This is largely a resource allocating committee, and its decisions must be based on judgments as to what kind of intelligence needs are going to be met. As the need for economic needs grows, the collection and the investment in intelligence machinery will reflect that. Under this arrangement the Committee for Foreign Intelligence, with the Director as the Chairman, there is a much better chance of insuring that we get the kind of responsiveness that we need to meet the kinds of concern that you describe.

Senator STEVENSON. Well, I certainly don't mean to denigrate the military or the Navy Department for wanting strictly military considerations. What I am suggesting is that that is not enough, and I am glad that you agree.

Mr. KNOCHE. I agree, certainly, sir.

Senator STEVENSON. Thank you, Mr. Chairman, sir.

Senator BAYH. Senator Morgan?

Senator MORGAN. Mr. Chairman, I have just a word or two.

I would say, Mr. Knoche, that I have read your résumé, I heard you in the executive session, and I believe we worked for the last 15 months or so rather closely, and I find you extremely and uniquely well qualified. I have not reread your testimony from the Church committee, but my recollection from hearing you during that period of time is that you were candid and forthright with the committee, and I have no reason to believe otherwise.

I have only a couple of questions to ask you. As you know, during the Church committee hearings there was evidence over a period of time that we had engaged in this country in attempted assassinations, if not assassinations. Do you believe that in peacetime there is ever any occasion for this country or any of its agencies to engage in political assassination?

Mr. KNOCHE. No, sir; I do not.

Senator MORGAN. Do you believe in peacetime there will ever arise an occasion in which it would be proper and expedient for any agency of our Government to engage in any kind of assassination, whether political or otherwise?

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Mr. KNOCHE. The use of your word "ever" is a very big one. I don't want to appear to be debating with you on that. I just want to be just as forthright answering you on that question. I would want to leave some room, I would think, of conceiving of some circumstances under which at least the contingency might be discussed, but it is only the use of the word "ever" that gives me a problem in answering the question.

Senator MORGAN. You say the contingency may be discussed or might be discussed. What might that be?

Mr. KNOCHE. Let me try to answer the question this way, and I am going to talk from the heart here, not as a bureaucratic official. I can conceive of circumstances where we might be asked to consider that. I can conceive of no circumstances under which I would want to recommend assassination as a solution to any particular problem in peacetime, but I think I am having trouble with the concept of never considering.

Senator MORGAN. Maybe the possibility of considering it might not be eliminated, but let me say I realize it is a difficult question, and at times you may have to take into consideration the consequences of the failure to consider, but I would say, I think I express the sentiments of most of the American people, when I say that I don't believe that we should ever engage in assassination of any kind during peacetime. I heard your discussion with regard to covert activity, and it is a difficult area.

Mr. KNOCHE. Yes, sir.

Senator MORGAN. I have previously, prior to coming to the Senate, expressed my own personal views that we in this country should not engage in covert activity in peacetime in order to influence the direction of some other government, and yet I have to say from time to time through the last 15 months that I find myself wavering on this position. As I listen to your testimony I waver again, but I do think that is a question that this committee and this Congress and the American people are going to have to come to grips with.

Now, in connection with these two——

Mr. KNOCHE. Well, Senator, would you yield for just one moment on covert action? I think it might be helpful to point out to this committee that the kinds of concerns, Senator Morgan, that you have just expressed about covert action, have had their impact on this Government of ours, and the occasions on which it resorts to covert action. There was a time, back in the height of the cold war, in the mid-1950's, when well over half of the CIA annual budget went into covert action activities. Right now in the 1977 budget, less than 2 percent of the budget goes into covert action activity. I think as we move farther away from the frigidity of the cold war and into a new kind of environment in this country, the legitimate concerns of the kinds that you have just expressed are having an effect on this whole situation. The occasions on which this Government tasks the CIA to resort to covert action have, for the reasons I have described, dropped dramatically over a period of 25 years.

Senator MORGAN. I think, Mr. Knoche, those occasions when it was felt that we now must resort to covert activities should be discussed, but probably more properly in executive session so I won't pursue that this morning, except to say that I am sure that there will be times when you as Deputy Director will be called upon or informed

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of acts which may technically be in compliance with the law but which may not be in keeping with the spirit of the law. Would you feel free, in your present situation, to inform this committee of such acts, even though you are working for Mr. Bush and the President?

Mr. KNOCHE. Yes, sir, I would. I would not only feel free, I would feel, as I pointed out in my opening statement, I would feel very much a part of the accountability that I feel in this position.

Senator MORGAN. Accountability, I really think, Mr. Knoche, is the word, because you are a Presidential appointee, but you are also required to be confirmed by the Senate, and I think because of this, it places a greater responsibility on you to account to the Congress than there would if you were just an employee of the Agency. And for that reason, if it came to your attention that activities were being carried out which you felt were not proper or were not in the spirit of the law, even if they were in keeping with the letter of the law, would you come to this committee notwithstanding the fact that it might place you in a difficult position with your immediate superiors?

Mr. KNOCHE. Yes, sir, I would. I presume, Senator, that what you are asking me is whether I would come to the committee under circumstances under which I have been directed to do something that I thought was improper. I would like to answer that in a little more detail, if that is your question.

Senator MORGAN. That is the point I am trying to get at.

Mr. KNOCHE. If I were directed to do something which I thought was either improper or illegal, I would go the last mile in trying to dissuade the higher authority that was asking me to do that, and ask them to retract the order or directive. If I were unsuccessful in doing that, I would have a difficult choice to make as to whether to resign, whether to go public, or whether to take my concerns quietly to a committee of this kind. One of those three things I would have to do, clearly, and I would have to judge the circumstances that obtained at the time.

Senator MORGAN. Mr. Knoche, wouldn't the proper choice in a situation such as that include coming to a committee of the Congress? I say that for this reason. I realize that this sort of thing is somewhat contrary to the American management system, but it is also a part of our system of checks and balances in this Government, and I feel a man who is being placed in your position of responsibility sometime might be called upon to do things that it would just take guts to do, but you just have to accept the responsibility and do it.

Mr. KNOCHE. If it were totally improper in my judgment, or illegal, and I was unable to dissuade higher authority from ordering it, I would come to a committee of this kind, I feel quite confident. Where I have to begin debating this a little bit in my mind is the instances where there is room for doubt as to whether that higher authority is on good ground—you know, it could be simply a difference of opinion—and whether I would want to make a cause celebre out of something of that kind.

Senator MORGAN. Well, I agree with you, and I certainly don't want to encourage what might be called by some insubordination, but I do think that is a major activity that is a part of our system of accountability that you ought to come to us.

Mr. KNOCHE. I have no difficulty with that.

Senator MORGAN. One more question. Are you satisfied with the system that places the responsibility for internal security on the

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Federal Bureau of Investigation and other law enforcement agencies rather than the Central Intelligence Agency?

Mr. KNOCHE. Yes, sir, I am. That is not to say that I know at all whether that is being carried out effectively by the Bureau, but I believe all of us would agree, after the reviews and investigations that have taken place in the last year or 18 months, that there is not a proper role for domestic intelligence activities in the hands of an agency which is also responsible for external intelligence activities, and I believe there is wisdom in going back to the checks and balances, or there is wisdom, and to make sure that those two functions are separate. But one has to be sure that in the relationships between the FBI with its responsibility for domestic security, and the CIA, with its responsibility for counterintelligence abroad, there is a good and fruitful and constructive relationship between the departments.

Senator MORGAN. I agree with you on that, and both of us will recall there was a period of time in which there was no liaison for practical purposes between the two agencies. Are you satisfied now with the cooperation and coordination between the two agencies?

Mr. KNOCHE. Yes, and I haven't, because I haven't, of course, participated in this job, I haven't been directly involved in that relationship, so I can't speak to it first hand. But there have been several meetings between Director Kelley and Director Bush, and either—Director Bush of course has been in office only since around the turn of the year. They have met two or three times, and the relationship at the working level is restored, and as far as I can see, Senator Morgan, it is effective, and I intend to keep it so.

Senator MORGAN. Mr. Chairman, I'll conclude by making one comment. I believe that Congress and the American people entrust you and the CIA with the resources and capabilities for dealing with foreign intelligence, that we would not entrust to you if we had any thoughts that such capability would be used domestically against American citizens. So I just want to say to you that I share your view wholeheartedly that the CIA has no role for domestic intelligence except that of liaison and coordination.

Thank you, Mr. Chairman.

Mr. KNOCHE. Yes, sir.

Senator BAYH. Then, if there are no further questions, then I would ask the witness if he has any objection to our submitting certain questions for the record that could be answered after the hearing is terminated.

I understand the Senator from North Carolina expressed his support for the nominee, and so since there are none other present, you are home free here, Mr. Knoche.

I would like to point out that we have 12 votes registered in support. I am going to ask, if there are no objections, that we poll the remaining members of the committee, and ask that the final vote be posted at the end of the day when the other members have been reached.

And I add my congratulations once again for your responsibilities, congratulations as well as a bit of sympathy because it is not going to be an easy task.

If there are no further comments at this time, we will adjourn the nomination hearings.

Mr. KNOCHE. Senator Bayh, Senator Morgan, thank you very much.

[Whereupon, at 10:49 a.m., the committee recessed subject to the call of the Chair.]

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PROVISIONS OF EXECUTIVE ORDER 11905 ESTABLISHING A DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

SEC. 3. CONTROL AND DIRECTION OF NATIONAL INTELLIGENCE ORGANIZATIONS

(d) Director of Central Intelligence.

(2) To assist the Director of Central Intelligence in the supervision and direction of the Intelligence Community, the position of Deputy to the Director of Central Intelligence for the Intelligence Community is hereby established (Committee on Foreign Intelligence.)

(3) To assist the Director of Central Intelligence in the supervision and direction of the Central Intelligence Agency, the Director of Central Intelligence shall to the extent consistent with his statutory responsibilities, delegate the day-to-day operation of the Central Intelligence Agency to the Deputy Director of Central Intelligence (50 U.S.C. 403(a)).

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PERSONAL INFORMATION SUPPLIED BY NOMINEE

Name (Including any former names used): Knoche, Enno Henry.

Position to which nominated: Deputy Director of Central Intelligence. Date of nomination: April 22, 1976.

Date of Birth: January 14, 1925. Place of birth: Charleston, W. Va.

Marital Status: Married. Full name of spouse (including any former names used by spouse): Angie Papoulas Knoche.

Names and Ages of Children: John Henry Knoche, 26; Randall J. Knoche 24; Peter D. Knoche, 22; Christopher C. Knoche, 18; and Jeffrey A. Knoche, 18.

Education: Washington and Jefferson, Washington, Pa., 1942 (1946), 1943 (1947), AB in 1947; Bethany College, Bethany, W. Va., 1943–44; Akron, Ohio and Pittsburgh, Pa. November 1948 to February 1951 studied Russian language; U.S. Naval School, Oriental language, Colorado University 1945–46, Chinese language (Foochow dialect); Federal Executive Institute, University of Virginia, 1968.

Honors and Awards: Military medals—American Defense theatre, Victory Medal, Korea, Pacific Theatre.

Memberships: MALTA-Mid-Atlantic Lawn Tennis Association, vice president, men's activities 1974 to present; Westwood Country Club, Vienna, Va., 1975 to present.

Published Writings: Served several months in 1948–49 as a management trainee in Public Relations Department of the Goodyear Tire Co. in Akron, Ohio. Issued several releases to the press services covering various matters reflecting developments within the Company and helped edit and publish Good Year's house organ, a weekly newspaper.

Political Affiliations and Activities: Have contributed annually in the amount of $15 to one of the national political parties. No other contributions or services have been rendered to political parties or election committees.

Qualifications: State fully your qualifications to serve in the position to which you have been named. (Attach sheet).

Future Employment Relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate. (Not applicable.)

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization. (Not applicable.)

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

No term is provided, it being at the pleasure of the President. I have no plans regarding departure.

Potential Conflicts of Interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None. Upon nomination to the position, I sold my entire holding of limited amounts (less than $5,000) in various common stock.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated. None.

3. Describe any business relationship, dealing or financial transaction (other than taxpaying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None. I have spent all of the past 10 years as a federal government employee.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy. List specifically any appearance before any committee of the Congress.

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I have never engaged in any lobbying activity. I have appeared before Congressional committees in connection with CIA activities.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I can see no conflict. I have placed the proceeds of common stock sales in mutual funds.

Employment Record: From July 1943 to August 1946 Mr. Knoche entered the Navy as an apprentice seaman, assigned to the college V-12 program and school at Bethany College, Bethany, West Virginia for one year. After four subsequent months at the USNR Midshipman's school at Columbia, was commissioned as an Ensign in December 1944 and assigned to the study of Chinese (Foochow dialect) at Colorado University. After completing the course in June 1946, was ordered to duty at the Naval Communications Annex, Nebraska Avenue, Washington, D.C. was released from active duty a short while thereafter.

From August 1947 to November 1947 Mr. Knoche was employed by the E.A. Knoche, Co., Inc., 1411 Keystone Building, Pittsburgh, Pa. His duties included determining the amount of loss to an insured person and arranging for his compensation in accordance with the terms of the appropriate insurance policy.

From November 1947 to July 1949 Mr. Knoche was employed by the Goodyear Tire & Rubber Co., 1411 East Market Street, Akron, Ohio. During this period, Mr. Knoche served as a management trainee. The first year of employment was spent in actual production work supervising and learning the various phases of the preparation and manufacture of the company's products, time thereafter was spent as a trainee for staff capacity with virtually exclusive emphasis placed on the public relations and sales promotion fields.

From July 1949 to February 1951 Mr. Knoche worked for the E. A. Knoche, Co., Inc. as an insurance adjuster. His duties included the same as during the period August '47 to November '47. During this time he also served as an assistant secretary for Knock-A-Bar, Inc., 1411 Keystone Building, Pittsburgh, Pa., a small industrial research organization. His duties included maintaining files and records, purchasing materials and supplies, acting as the company's official agent in the sale of stock, etc., all in connection with a chemical research organization.

From 22 February 1951 to February 1953 Mr. Knoche was employed by the National Security Agency, 4300 Arlington Boulevard, Arlington, Va. Mr. Knoche served as a Section Chief supervising the efforts of 125 employees, both civilian and military, constituting an operational section. His supervisory responsibilities were both of an operational and administrative nature. He remained in NSA employ as a civilian from February to November 1953.

Mr. Knoche joined the Central Intelligence Agency in 1953, and served in the Office of Current Intelligence (OCI) until 1962. His initial assignment was as an analyst following Chinese military developments. In 1956 and 1957 he was OCI's focal point for handling U-2 coverage requirements and for disseminating U-2 products to OCI components. In 1958 Knoche was named one of OCI's Senior Intelligence Duty Officers. This assignment included the following responsibilities: senior officer on duty in the Agency's round-the-clock Watch Office, secretary of an inter-Agency panel producing daily intelligence summaries for the President and his advisers, and preparing briefings for the Director to give to periodic meetings of the National Security Council.

In 1962 Knoche was named Special Assistant to the Director and Deputy Director of Central Intelligence, and served in this position until 1967, when he was assigned as Executive Director of the National Photographic Interpretation Center—a joint CIA-Defense Department unit. In 1969 Knoche was named Deputy Director of CIA's planning and budgeting activities, and in this post, served as Chairman of a CIA Committee charged with setting policy for automatic data processing and information handling. A year later he became Deputy Director of the Office of Current Intelligence.

From 1972 onward Knoche served as Director of various Agency components, including the Intelligence Directorate's Office of Strategic Research, the analytical component charged with evaluating foreign military developments, particularly those that relate to the strategic threat against the U.S.

At the outset of 1975, during inquiries into American intelligence activities by the Rockefeller Presidential Commission and Select Senate and House Committees, he served as Special Assistant to the Director of Central Intelligence in liaison with those conducting the inquiries.

In the fall of 1975, Knoche was named Associate Deputy to the DCI, the #2 position in the Director's staff involved in the coordination and management of the resources of the U.S. Intelligence Community, including CIA, Defense, and State Department elements.

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E. H. Knoche Responses to June 24, 1976 Written Interrogatories Submitted by the Senate Select Committee on Intelligence

I. THE NATURE AND EXECUTION OF THE DDCI'S RESPONSIBILITIES

Question A. Have you worked out a formal arrangement with Mr. Bush on the specific nature of your responsibilities? What subjects relative to the Agency's administration will require his attention more than yours? How would you define your day-to-day responsibilities beyond the general definition outlined in the President's Executive Order 11905?

Answer. Director Bush and I are in the process of defining arrangements pertaining to his role as executive head of the CIA and the Deputy's role in day-to-day operation of the Agency. The responsibility in the latter regard, as stated in Executive Order 11905, is a new one with no firm precedent. The intent of the Executive Order is clear, however. The Director, as head of the CIA, coordinator of the Intelligence Community, intelligence adviser to the President, and producer of national intelligence, must be freed of administrative details to plan for and work on these important responsibilities. I will assume the administrative, operating tasks of CIA and carry out such other responsibilities as may be delegated to me by the Director. In dealing in Agency matters, I will be working also with the Deputy for the Intelligence Community. The two Deputies, as subordinates of the DCI, will work closely together to assist the DCI in accomplishing what is required. In due course, new legislation covering the Deputy for the Intelligence Community will be proposed for congressional approval. Meanwhile, any formal delineation of duties among the DCI and his two Deputies will be made after we have had the benefit of additional experience. It is clear, however, that I will be responsible for developing Agency programs, plans, and budgets, and for ensuring the balance of resource allocations to meet assigned tasks.

Question B. In previous testimony to this Committee, Director Bush stated that he would not give up his own management responsibilities within the Agency. How do you interpret this and what effect will it have on your duties?

Answer. The Director of Central Intelligence is responsible for the production of national intelligence to satisfy the needs of the President and his advisers in the National Security Council. The DCI is also the coordinator of the Intelligence Community and chairs the Committee on Foreign Intelligence, making resource decisions concerning the National Foreign Intelligence Program. To accomplish these tasks, the DCI must have the authority and expertise that flows to him from the Central Intelligence Agency, and the DCI will frequently be the final authority on key management issues within the Agency. To cut himself off from the CIA would inhibit, if not prevent, the DCI from fulfilling his responsibilities. As his Deputy in the Agency, I will have clearly in mind the Director's primacy; I will, however, seek to free him of these burdens of day-to-day, administrative detail, and will otherwise assist in ensuring that the functions and products of CIA are responsive to DCI needs and concerns.

Question C. A recurring problem for successive DCI's has been the amount of time absorbed by clandestine operations. The nature of the operations and the fact that they involve people in sensitive situations, demanded the involvement of the Agency's senior official. Will you assume some or most of the DCI's responsibilities in this area?

Answer. Yes, I will doubtless assume some DCI responsibilities in overseeing and managing clandestine activities and in seeing that they are both effective and proper. Many of these activities are of high-level interest and sensitivity, and the DCI will continue to have a responsibility and concern for them.

Question D. Executive Order 11905 states that the DCI "shall act as principal spokesman to the Congress for the Intelligence Community . . . " Given the redefinition of the DDCI's responsibilities, will you assume some of the responsibilities for congressional briefings? If so, in what area?

Answer. Yes, there are areas in which I am likely to assume a share of responsibility for congressional briefings. I will probably present the details of CIA budgets, programs, and plans. In the absence of the DCI, I will very likely also provide substantive intelligence briefings. The Director wants to keep very close contact

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with Congress, but there are many invitations to appear, and he expects me to be available for certain congressional briefings.

Question E. Do you have long-term objectives you wish to implement? What are they?

Answer. I *do* have long-term objectives. Among the most important are:

Improvement of intelligence analysis and production to make the product as comprehensive, timely, and useful as possible.

Improvement of innovative research and development of new intelligence techniques and equipment for the collection, processing, analysis, and production of intelligence information.

Development of improved methods to evaluate the priorities of intelligence requirements and to assess the performance of all phases of intelligence in order to make better judgments on where to apply resources.

II. CIA BUDGET PROCEDURES

Question A. Contingency Reserve Fund.—The CIA has a substantial Contingency Reserve Fund which was designed to be used to fund CIA activities which could not be anticipated. In the past, however, money has been drawn from the Fund for the support of multi-year major covert actions, the continuance of which were anticipatable. Congress is not informed in advance of proposals to draw money from the Contingency Reserve Fund even though the projects to be supported by such funds have been in the planning stage for months. Congress is notified only after the draw-down: in contrast OMB approval must be obtained beforehand. Given the requirement of S. Res. 400 that this Committee be informed of significant anticipated activities will you notify the Committee, in advance, of proposals to draw funds from the Contingency Reserve Fund?

Answer. The Reserve for Contingencies was established in 1951 in recognition of the fact that CIA must have an alternative to seeking supplementary appropriations. The supplementary appropriations procedures are clearly unsatisfactory for CIA, in light of the speed and secrecy with which the Agency may have to expend funds. The Reserve is not a fund used exclusively for covert action activity; it also is used to meet unbudgeted requirements which essentially are administrative in nature. Last year we began a new procedure for notifying Congress of proposals to draw funds from the Contingency Reserve. At the time a request for approval of a release is submitted to OMB, we notify our oversight committees of the proposal. I have instructed that the Senate Select Committee be added to the list of recipients of these letters.

Question B. Reprograming Funds.—There are few limits on the DCI's authority to reprogram funds provided to the CIA, even though the heads of other departments, such as DOD, are limited in this area. Would you agree to notify the Committee of any reprograming decision involving over $250,000 within 48 hours of the decision?

Answer. Last year, in considering our 1976 budget request, the Committee on Appropriations of the House of Representatives placed restrictions on reprograming which were subsequently endorsed by the Senate/House conferees. We have been following the reprograming guidelines for nearly a year and will continue to do so. In addition, the President has prescribed in Executive Order 11905 that the Committee on Foreign Intelligence establish reprograming guidelines. These guidelines are still under development. I believe it would be inadvisable to agree to any new reporting arrangements pending the completion of the review of the subject by the CFI. It is my hope that the Agency can meet the needs of all our oversight committees regarding reprograming notification with a single set of guidelines satisfactory to all. Different sets of guidelines would be confusing and would impose a considerable and unnecessary burden of work.

Question C. Advances and Transfers.—The CIA now spends approximately 70 percent more than it is provided directly by Congress. This extra money comes mainly in the form of advances and transfers from other Governmental agencies. The predecessor committee found that these advances and transfers are not presented in the CIA's budget submission in a form which makes clear their impact. Will you and your staff work with the Select Committee's staff to construct a format which will make this flow of funds more visible in future budget submissions?

Answer. In recent years this information has always been included in our Congressional Budget Submission. Our 1977 Congressional Budget Request, which the predecessor committee did not review, includes a complete and explicit

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display of data about advances and transfers from, as well as to, other Government agencies. We believe this format will satisfy the interests of the Committee. If further adjustments are required, we will of course work with our oversight committees to satisfy their needs. Again, however, it is my hope that a single format will be acceptable to all our committees.

Question C1. Advances and transfers are clearly shown in the Agency's annual financial report which until last year did not go to Congress. Will this report be provided annually to this Committee?

Answer. If the Committee would like to receive the annual financial report each year, we would be pleased to provide it.

Question D. Spending Projections.—Under the Budget Act, agencies are required to provide five-year projections of spending. During the past year, the CIA made available OMB's lump sum projections for the Agency's budget for the next several years. The lump sums apparently did not reflect inflation. They did not show the effect of the funding level on the Agency's ability to accomplish its mission. No options were presented. Will you provide the Committee with detailed long-term budget plans showing options for the Agency, the effects of varying levels of funding on the accomplishment of the Agency's mission, and the impact of present budget commitments on future Agency spending?

Answer. Our budget projections are prepared in accordance with instructions issued by OMB, which are intended to maintain a certain level of consistency among projections developed by all Executive departments and agencies. Deviation from those instructions could create some confusion in the budgetary process. If the Committee wishes to discuss program options, I am prepared to do so.

Question E. CIA Proprietaries.—The financial impact of CIA proprietaries has not until this past year been reflected in the Agency budget submission. Will you provide a clear statement of the financial impact of CIA proprietaries in upcoming budget submissions? Will you provide, as the predecessor committee recommended, an annual report on proprietaries?

Answer. Our 1977 budget request included financial information about CIA proprietaries. We will include in our 1978 request a more detailed presentation, which I hope will satisfy the needs of the Committee for information on CIA proprietaries, and may make an annual report on proprietaries superfluous. If it does not meet the Committee's needs, we will be happy to work further with the Committee on this subject.

III. CIA INTERNAL CONTROLS

Question A. Rank of the General Counsel.—The General Counsel now ranks below the Deputy Directors and below the Inspector General. In order to guarantee the General Counsel's independence, would you recommend a promotion to the same level as the Deputy Directors and the Inspector General?

Answer. Yes.

Question B. Misuse of Secret Information.—It has been suggested that CIA employees having access to secret intelligence might misuse that information to personally profit from their position of trust. You have informed this Committee about steps taken in this regard with respect to senior management who are in a position to award contracts. What steps have been taken with respect to other CIA employees who have access to confidential information such as economic intelligence?

Answer. A number of Executive branch and Agency directives deal with actual or apparent conflict of interest situations. Section 203 of Executive Order 11222 (effective 11 May 1965), for example, states in part:

SEC. 203. "Employees may not (a) have direct or indirect financial interests that conflict substantially, or appear to conflict substantially, with their responsibilities and duties as Federal employees, or (b) engage in, directly or indirectly, financial transactions as a result of, or primarily relying upon, information obtained through their employment."

This section would certainly cover CIA employees who have access to confidential economic intelligence.

CIA regulation HR 20-6c implements E.O. 11222 and Civil Service Regulations conflict of interest, dated 9 June 1967. HR 20-6c requires financial interest statements to be filed by a broader class of employees than just those in a position to award contracts. In addition, employees at the GS-13 or above level must file if they are involved in administering or monitoring grants or subsidies, regulating

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or auditing private or other non-Federal enterprise, or if they are involved in any other action or decision which has an economic impact on any non-Federal enterprise.

Question C. Should the General Counsel and Inspector General be assured, by statute, of access to all Agency information necessary for their work? Will you notify this Committee if either of these officers is denied access to CIA information they request?

Answer. Section 6(c)(3) of Executive Order 11905 directs heads of intelligence agencies or departments to: "Ensure that Inspectors General and General Counsels of their agencies have access to any information necessary to perform their duties . . ."

Agency regulations HR 1-3 a and b require that the Inspector General and General Counsel have access to all information necessary for the performance of their respective duties. In my view these firm requirements make a statute requiring access completely superfluous. I share the Committee's interest in guaranteeing these officials access to information they require for the performance of their duties. Because of the access requirements of E.O. 11905 and Agency regulations, I do not anticipate that either of these officers will be denied information they need.

IV. INTELLIGENCE ANALYSIS

Question A. If analysts are unwitting of covert actions it would seem that the quality and relevance of the intelligence analysis is affected. Should analysts be a part of the covert action approval process?

Answer. Yes. As a general rule, I believe that analysts must have knowledge of covert action in their area of expertise. This serves two important purposes. First, it gives the planners of a covert action an expert independent judgment of the potential effect of a proposed covert action. Second, the analyst can thus more accurately assess the forces at work in a particular country, and the strengths of these forces.

Question B. In his testimony before the predecessor committee, John Huizenga described a "natural tension" between intelligence analysis and policy which can often result in the product of the analysts going unused. What relationship should exist between the analysts and the policymakers in order that the intelligence product is both useful and useable?

Answer. The intelligence analyst and policymaker have distinct roles and functions, and I believe a certain detachment between the two should be maintained. The analyst has an obligation to the policymaker to be as objective and forthcoming as possible in providing his assessments of world situations. The policymaker can choose to accept or reject that assessment, but if he has given the intelligence judgment substantial consideration in his policy review, he will have fulfilled his obligation to the analyst.

Question C. The predecessor committee noted the severe pressures which could be directed toward the DCI to make him alter his intelligence judgments. What organizational mechanisms would you recommend to protect the independence and integrity of these judgments?

Answer. Experience has shown that organizational mechanisms are not the only answer to potential pressures. Rather, the solution lies in the employment of men or women with integrity and dedication to objectivity. The hallmark of intelligence must be its independence and pressures to alter intelligence judgments for political reasons must be withstood.

V. TESTIFYING BEFORE CONGRESS

Question A. Are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Answer. Yes.

Question B. Are you willing to provide such information as is requested by such committees?

Answer. Yes.

VI. OTHER

Question A. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense?

Answer. No.

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Question B. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

Question C. Please provide the Committee with the names and current addresses of five individuals whom you believe are in a position to comment upon your qualifications for the office to which you have been nominated.

Answer. (1) Col. L. K. White (Home), New Piasa, Chatauqua, Elsah, Ill. 62028; (2) David W. Belin (Office), Herrick, Langdon, Belin, Harris, Langdon & Helmick, 2000 Financial Center, Seventh and Walnut, Des Moines, Iowa 50309, David W. Belin (Home), 1705 Plaza Circle, Des Moines, Iowa 50322; (3) Timothy S. Hardy (Home), 5781 Rayburn Avenue, Apt. 162, Alexandria, Va. 22311; (4) Lt. Gen. Samuel V. Wilson (Home), Quarters 59, Fort Belvoir, Va. 22060; (5) Mr. Arthur C. Lundahl (Home), Route 1—Box 445A, Augusta, Mich. 49012.

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E. H. KNOCHE RESPONSES TO ADDITIONAL INTERROGATORIES SUBMITTED BY SENATOR GARY HART

I. 1947 NATIONAL SECURITY ACT

Question A. The predecessor committee recommended that the 1947 National Security Act be rewritten. Do you agree that this needs to be done?

Do you think the new legislation should include charters for the organizations and entities which make up the U.S. intelligence community, including the CIA?

Do you believe the new legislation should contain specific and clearly defined prohibitions or limitations on certain intelligence activities carried out by our intelligence agencies, including the CIA?

With respect to the CIA, what prohibitions or limitations should be contained in a new version of the 1947 National Security Act?

Will you, as DDCI, assist this Committee in writing this new legislation?

Answer. The National Security Act of 1947 is by now in need of substantial revision. I am concerned, however, that in our zeal to bring the Act up to date, we leave sufficient flexibility for the Executive to deal with future unforeseen problems, such as the growing threat of international terrorism. Thus, questions such as whether charters for all intelligence entities should be included in the Act, and whether specific prohibitions should be included and what they might be, deserve the most careful consideration. I pledge the cooperation of the CIA, with the Committee in studying and arriving at decisions on these important questions.

II. COVERT ACTION

Question A. Since 1961 the CIA has conducted some 900 major or sensitive covert action projects plus several thousand smaller ones. In light of this, would you agree that, over the years, covert action has become a frequently used tool of U.S. foreign policy? Do you believe this was the intention of the framers of the 1947 National Security Act, or was covert action originally intended to be an exceptional tool, used only under extraordinary circumstances? Would you agree that covert action should only be used to deal with grave threats to American security?

Answer. The statistics on the use of covert action as an instrument of U.S. Government policy, if examined closely, would demonstrate two things: first, that the need to have recourse to this form of action has been dictated by the circumstances of the world in which we live and the dangers which we confront; and second, that it is necessary, in order to have such capability available in time of need, to maintain an infrastructure which can be called into play as required. This kind of resource cannot be created on short notice.

In this context, I would merely observe that the frequency of covert action projects has varied greatly between, for example, the years when the U.S. was confronting worldwide communist expansion in the 1950's and more localized communist insurgencies in the 1960's, and the current period in which American perceptions of world events have reduced covert action to an exceedingly low level. The legislative history of the former Act may not make clear how often the framers intended that it be used. However, I believe it likely, given the then-recent successful history of the OSS and the general international atmosphere of the late 1940's, that the framers intended covert action to be used whenever policymakers felt that world events so dictated.

Regarding a standard for the use of covert action, the standard in section 662 of the Foreign Assistance Act, that an operation must be "important to the national security," is a more flexible and appropriate standard than permitting its use only in response to "grave threats to American security."

Question B. The predecessor committee recommended, following its investigation of alleged assassination plots, a statute to prohibit such activities. In addition, the committee recommended a statute to prohibit efforts to subvert democratic governments and support for police or other internal security forces which engage in the systematic violation of human rights. Do you believe these prohibitions are necessary and can you support them?

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Answer. During my confirmation hearings, I stated that I did not believe that in peacetime there would ever be any occasion for this country to engage in political assassinations. Section 5(g) of E.O. 11905 prohibits employees of the United States Government from engaging in political assassination. In addition, the President has publicly stated that he will support legislation making it a crime to assassinate or attempt to conspire to assassinate a foreign official during peacetime.

I share your uneasiness about the propriety of efforts, covert or otherwise, by any external force to "subvert" governments which have come into being by democratic processes and which continue to function as independent democratic governments. Definitional problems could make a statutory prohibition, such as is suggested, very difficult to enforce.

Support for police or other internal security forces which engage in the systematic violation of human rights should be subject to stringent review, rather than prohibited by statute. American intelligence, from time to time, in dealing with important matters such as counterintelligence, anti-terrorism, and the narcotics problem, must deal with foreign security forces whose records on human rights may not be admirable.

Question C. The predecessor committee found that a majority of covert action projects—those that are considered low risk or low cost—can be approved within the CIA. Do you believe, as did the predecessor committee, that *all* covert action projects, whether high or low risk, should be reviewed by the appropriate National Security Council subcommittee?

Answer. Covert action of any type should be reviewed by the Operations Advisory Group, the National Security Council body established by E.O. 11905 for this purpose. Each major covert action proposal is individually reviewed by this group of senior Government officials. I also favor review, in the aggregate by the OAG, of lesser covert action undertakings, including the covert action infrastructure mentioned above, as recommended by the predecessor committee.

Question D. The predecessor committee strongly recommended that this committee should be informed of all major or significant covert operations *prior* to their initiation. What are your views on prior notification or consultation? Also, the committee recommended that this Committee should be kept fully and currently informed on all covert action projects and the DCI should submit a semi-annual report on all such projects to the Committee. Do you agree?

Answer. The question of a requirement of prior notification of covert action presents at least serious practical problems. I believe the arrangements worked out to provide the committees the timely notice now required by statute allow opportunity for the informed committees to consult with the Executive on specific programs. Regarding a semi-annual report on covert action, I want to work closely with the new Committee to satisfy its information needs. I am confident that satisfactory arrangements can be reached with the Committee in this regard.

Question E. Finally, how would you like to see the reporting requirements to Congress on covert operations, as found in the Hughes-Ryan amendment to the 1974 Foreign Assistance Act, amended or revised?

Answer. I believe it is essential that Congress concentrate intelligence oversight arrangements to the maximum possible extent consistent with effective oversight. This of course was a driving force behind the creation of the Select Committee. However, the Hughes-Ryan amendment requirement of reports to so many committees remains a barrier to concentrated oversight. I would therefore support a repeal of the Hughes-Ryan amendment. Our congressional oversight committees do need to be kept informed of covert action, but the statutory base for such reporting should more logically and appropriately be a general reporting requirement in the National Security Act.

III. CIA RELATIONS WITH U.S. INSTITUTIONS AND PRIVATE CITIZENS

Question A. As you know, the predecessor committee looked into the question of CIA relations with U.S. institutions—the press, academic and religious institutions—and private citizens. The Committee was concerned that the clandestine relations might compromise the independence and integrity of these groups and undermine public confidence in them. What are your thoughts on this matter?

Answer. I share the view that the integrity of U.S. institutions and of American citizens as individuals must be preserved. I am equally concerned that Americans of all professions maintain the freedom of choice to cooperate with their Government voluntarily and knowingly according to the dictates of their own conscience.

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I believe the Agency has taken significant steps to strike the proper balance between these two considerations. So far as the press and the clergy are concerned, Director Bush's enunciation of Agency policy on 11 February 1976 should dispel any suspicion which might attach to full-time or part-time members of these American institutions. In addition, there are stringent, self-imposed limitations on Agency relationships with American academicians and academic institutions.

Question B. The Committee proposed a number of statutes dealing with these relationships. In addition, it recommended that the CIA amend its internal guidelines to take care of some specific concerns of the Committee. For example, with respect to CIA relations with academic institutions, the Committee recommended that the CIA amend its internal regulations to require that individual academics used for operational purposes, together with the President or appropriate university official, be informed of the clandestine CIA relationship. Has the Agency considered this recommendation and does it plan to implement it?

Answer. I am in full agreement with current Agency practice which requires that individual members of the academic community be made aware that they are dealing with CIA before being asked to assist the Agency. I do not agree that the confidentiality of such voluntary and witting relationships should be violated by informing any other person of them without the understanding and permission of the individual involved.

Question C. The Committee also recommended that the recently adopted CIA prohibitions against any paid or contractual relationship between the Agency and U.S. and foreign journalists accredited to U.S. media organizations be extended to included the operational use of any person who regularly contributes material to, or sets policy for, U.S. media organizations. Has this recommendation been reviewed by the CIA and what position does the Agency take on it?

Answer. Within the terms of the Director's statement of 11 February on relations with American news-gathering organizations, we accept the recommendation and we have undertaken measures to comply with it.

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LETTER TO CHAIRMAN INOUYE FROM CIA GENERAL COUNSEL ANTHONY LAPHAM, JUNE 7, 1976

CENTRAL INTELLIGENCE AGENCY,
Washington, D.C., June 7, 1976.

HON. DANIEL K. INOUYE,
Chairman, Select Committee on Intelligence,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In connection with his nomination to be Deputy Director of Central Intelligence, Mr. E. H. Knoche has provided me with a list of securities and other financial assets owned by him, his wife and his minor children. I have reviewed this list, and, in my opinion, Mr. Knoche's and his family's financial investments create no conflict of interest for him as the nominee for the Deputy Director of Central Intelligence.

Sincerely,

ANTHONY A. LAPHAM, *General Counsel.*

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LETTER TO CHAIRMAN INOUYE FROM E. HENRY KNOCHE, JUNE 7, 1976

CENTRAL INTELLIGENCE AGENCY,
Washington, D.C., June 7, 1976.

Hon. DANIEL K. INOUYE,
Chairman, Select Committee on Intelligence,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In connection with my nomination as Deputy Director of Central Intelligence, I herewith furnish information concerning my employment, financial interests, and organizational affiliations.

I am a career employee of the Central Intelligence Agency having joined the Agency as an analyst in 1953. I also served as a naval officer during World War II and the Korean War, and was briefly with the National Security Agency just prior to joining CIA in 1953. Between college (1947) and my service with the Government, I was employed by several private employers in Akron, Ohio, and Pittsburgh, Pennsylvania. With the Central Intelligence Agency I have held a number of senior positions, including Executive Director of the National Photographic Interpretation Center; Deputy Director of Planning and Budgeting; and Director of Strategic Research. At the onset of the investigations into American intelligence activities, I was made Special Assistant to the Director of Central Intelligence with responsibilities for liaison with the Rockefeller Commission and the Select Committees for the House and Senate. Last fall I was appointed Associate Deputy to the Director of Central Intelligence for the Intelligence Community. I have no other employment and do not serve as an officer, director, or partner of any enterprise operated for profit.

Until recently, I owned shares of common stock in AT&T, General Motors, Sears Roebuck, General Fireproofing, and First and Merchants National Bank of Virginia. In order to avoid any possibility of a conflict of interest, or the appearance of a possible conflict, I have disposed of these stockholdings. In the future, I will refrain from purchasing stock or acquiring any other financial interest which would present a possible conflict of interest or the appearance of a conflict.

My wife is a limited partner (six percent interest) in the Papoulas Livestock Company of Craig, Colorado. She also holds a 25 percent share of certain coal, oil, gas and mineral rights on a portion of the land (located in Routt and Moffat counties, Colorado) owned by this company. My wife has a small holding in a mutual fund. Two of my five children are adults and reside in Colorado. Each of the three others is a part of my household and has a small savings account.

As a Government employee, I am covered by the Civil Service Retirement System and I have some social security coverage based on my employment by private employers prior to my Government service. I also participate in the Voluntary Investment Program, the retirement investment program sponsored by the Central Intelligence Agency for its employees. I hold shares in the Northwest Federal Credit Union. In addition, I have a small checking account, some United States savings bonds, certain household goods and personal effects and two residences in Virginia, both of which are mortgaged.

I am a Vice President of the Middle Atlantic Lawn Tennis Association, a non-profit organization.

I trust this information satisfies the Committee's needs. I will be glad to furnish any additional information.

Sincerely,

E. H. KNOCHE.

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