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The President has seen

The Director of Central Intelligence

Washington, D.C. 20505

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6 May 1981

MEMORANDUM FOR: The President
FROM: William J. Casey
SUBJECT: Progress at the CIA

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I would like to tell you about some personnel, organizational and conceptual changes I've made or am in the progress of making at the CIA. It is a good outfit, composed of dedicated people with good spirit, but it has been permitted to run down and get too thin in top level people and capabilities. It survived the kicking around from the press and the Congress and from Admiral Turner's wholesale firings better than it has survived the paycap. That is largely because the operational personnel, in recognition that they are committing themselves to a particularly difficult and demanding career when they join up, have the privilege of resigning at 50. So in a way it's surprising that we have so many good officers in their 50's and early 60's who have given up the opportunity for a second career to continue serving at the same pay which people, coming into the service ten years before them, receive for carrying much less responsibility.

There are four major components of the CIA. The largest unit provides Administrative support, communications, information management, training, security services, etc., for the entire organization and, particularly in the case of communications, for much of the foreign apparatus serving our whole government.

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[Redacted] The Analytical unit assesses and analyzes all information available and prepares national estimates. The fourth, the Science and Technology unit, develops and utilizes photographic, signals, electronic and a wide variety of technological means to collect and piece together information.

As I size up things, the Analytical and Operations units are most in need of improvement and rebuilding. The analysis has been academic, soft, not sufficiently relevant and realistic. I have switched John McMahon, who is generally recognized to be the best manager here, from directing the Operations unit to directing the Analytical unit. I have frequently found that I get better intelligence judgments from the streetwise, on the ground Operations staff than I get from the more academic Analytical staff in Washington.

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McMahon has experience in HUMINT, SIGINT and PHOTINT and is thus well prepared to see that the analysts are used to focus collection efforts on those missing elements needed to round out the intelligence picture and that their estimates fully reflect the contribution which all collection sources can make.

I spent much of the last three weeks talking to all the operational people and carefully sizing up all the activities of the Operations unit. It quickly became clear to me that there were too many components for any one man to manage adequately. The ongoing worldwide intelligence-gathering apparatus with its continuing flow of messages and activity will leave the person running it little time to give to other components responsible for maintaining support capabilities

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I, therefore, determined to reorganize the Operations unit into two sections with an overall chief supported by two deputies, one who would run the worldwide clandestine service responsible for all intelligence and other operations, the other responsible for support activities,

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I believe this is conceptionally sound, that it will work and bring closer and more effective management supervision. I think there is general agreement on that here.

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I had a tough bullet to bite in deciding who to put in overall charge of this new structure.

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[REDACTED] The only one around of whom I had personal knowledge and experience which made me confident that he could impart the kind of thrust and drive that the necessary rebuilding will require is Max Hugel.

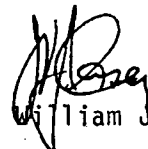
I brought Hugel into your campaign at the California headquarters in March of 1980 and told him to start identifying leaders and activating special voter groups across the whole American ethnic, religious, occupational and social spectrum. Four months later at the convention in Detroit he had gathered close to 40-odd groups--Slavs and Orientals, Blacks and Hispanics, Catholics and Jews, youth and senior citizens, doctors and door-to-door salesmen, you name it and he had it along--with operational plans and proposed budgets for each. I believe this produced by far the most comprehensive and effective national campaign ever conducted along voter group lines and I give Hugel very high marks for that performance.

Hugel started his career in military intelligence in Japan for four years. He then formed a partnership with a large Japanese corporation to bring the typewriters and sewing machines it made into the world market. In very short order he had highly successful assembly plants and marketing operations established in the United States and Europe. After selling his interest in this venture back to the Japanese corporation he, with some others, formed what has become the leading manufacturer of computer printout equipment supplying the IBMs of the world. He resigned as Executive Vice President of this company to go to work full-time as a volunteer with me in our campaign. Two months ago I appointed him Director of the Administrative unit here, the largest of our components. In that short time he has gone through that far-flung operation, determined what needs to be done, gotten it moving again and won the respect of everybody here.

I concluded that he's the best bet to provide the leadership needed to revitalize the clandestine service and rebuild the support capabilities it needs. I knew I'd be criticized for putting someone in charge of the Operations unit who lacks long years of experience in this work. Indeed, I was criticized in the press during the campaign on the basis that Hugel had no political experience. I believe the experience requirement will be covered by the twenty years of experience which the head of each of the geographic divisions gives to the operations they conduct and by the two men I am appointing within the Operations unit to run the clandestine service and the operational support services. What is needed at the top is someone with the brain power to lay out what is needed to do the necessary rebuilding and the thrust and the drive to get it done. This is the third time someone has been brought in from outside the Operations unit to head it up and the first time for somebody to move into that position so quickly. Once I concluded appointing Hugel was the best thing to do, I felt I had to bite the bullet and take the flak. I'm confident it was the right thing to do.

Another personnel decision which has attracted press attention was Stan Sporkin as General Counsel. He is widely recognized as one of the outstanding people in the Federal Government. In 1977, he was one of five finalists in the nationwide search for FBI Director. Last year he received the Annual Award for the most outstanding career persons in the Federal service, usually presented by the President, this time boycotted by Jimmy Carter because Sporkin persisted in pursuing the Lance case. Sporkin runs a large and aggressive enforcement staff at the SEC and worked for me when I was Chairman. He is one of the most resourceful and creative men I have ever met. Because his job requires him to investigate and pursue people in the corporate and financial community who may have violated the law or failed to disclose information to investors, he is in some quarters perceived to be anti-business and an advocate of openness in government. The fact is he is a Republican, a firm believer in the business system and a sworn enemy of the Freedom of Information Act. I believe he has the background and the talent to make a distinct intelligence contribution, particularly in applying his investigative experience to the huge Soviet espionage effort and widespread theft of critical technology with which we must deal. Again, I know my man here. He is leaving the SEC to come over to the CIA, where he will have a lot less clout and get a lot less public acclaim, because he is a patriot and wants to work for our national security.

Admiral Inman is a great help. I am pleased and hopeful that the personnel and organizational changes we have made will lay the groundwork for good results. We have worked a new Executive Order through all elements of the Intelligence Community and sent it to the NSC. We are working on squeezing down on less essential functions to build up the elements needed to cope with a Soviet service which outnumbers us by three to one around the world.


William J. Casey