

HARVARD CLUB OF NEW YORK CITY
8 December 1977

Ken, thank you very much. Mr. Ambassador, ladies and gentlemen. As Ken said, I did that Naval Academy Course in 3 years instead of 4 along with 832 of my classmates. I did Harvard in 13 weeks. But let me tell you, that while I was a simple naval officer when I went to Harvard, I learned my first good lesson in secrecy and deception while I was there. My classmates seated down here at these tables remember Professor Tom Kennedy taught us _____. One of the ways he did was he would divide us into teams of six and we went off into different rooms, and six were management and six were labor and they had a problem and we pounded the table and we swore at each other, and we negotiated. Then in the middle of negotiations Kennedy would send in a telegram, "your strike fund is broke, you got an order for 10,000 witches, must sell, the strike can get going, and so on. Then we'd go the classroom, great big blackboard and the Professor would lay it out, team a, 5¢ an hour, 2 weeks leave for vacation, team b, 8¢ an hour. He wanted us each to experience both the labor and management side. So, we had a second go-round on this. And in the second go-round, we came down the blackboard, it was 5¢, 7¢, 30¢. So he called on the leader of that team. Why did you fall so far out from everybody else? And he answered, well, you know when that telegram arrived--and the Professor looked and said, telegram, I didn't send any telegrams today.

I'm going to try to convince you today, that we're not always deceptive in intelligence, in fact what I really want to talk about

is the efforts we are making today to share more with you on an honest and open basis. And one of the areas that might be of interest to you, major leaders of our business in this country, is what we are doing in the international economic sphere.

Let me start by giving you a few examples of the new emphasis on the analysis of the international/economic situations that the Central Intelligence Agency is engaged in today. The point is this, you may have heard that last March we produced a study on the energy prospects for the world in the next 7 or 8 years. Now, that study simply said that in our view the world is not going to be able to bring out of the earth, to pump up from the wells, as much oil and gas as the world is going to want to burn on the surface in the next 7 or 8 years. It didn't say the reserves are going down, so fast that we are going to run out, that nobody's lamp will burn in the future, it simply said there isn't enough indication that their going to be able to get enough gloves? on the line to meet the rising demand curve. As a result, you and I and everyone in the world will be faced with a choice between conservation and pressure on prices. We think and hope that publishing that publicly has at least helped the quality of national debate on this very critical world issue.. We may be right and we may be wrong, but were having a lot of fun in dialogue with oil companies, think tanks and experts in the oil exploration field, and out of that we are trying to get better, finer analysis and find out where the indicators are that we may be wrong so we can target our intelligence on that fact and revise our estimate, if it isn't right.

A few months later we published another study on the world steel situation. We simply said that the figures today show that

the most developed countries in steel are operating well-below capacity, 78% here, 72% in Japan, 60% in the European economic community, 48% in Sweden, and if we don't see in the next 4 or 5 years the demand curve here rising enough to fill up this excess capacity. In fact, we see the lesser developed countries continuing to build more steel producing capacity, such as we think there will be a 60% drop in the imports of some of the major lesser developed countries, South Korea, Brazil, Mexico in the next few years, and some of those countries will turn from net importers to net exporters. We think all this has major implications for many of you.

Last July under the auspices of the Joint Economic Committee of Congress, we published to the public a very important study on the future of the Soviet economy. We study the Soviet economy regularly, we always thought the economy had enough capability and resilience to do three things: to support the Soviets considerable effort and investment in military power to try to obtain at least a position of parity with us; secondly, to improve if not dramatically the quality of life of the Soviet Union and; thirdly, to be able to put enough capital investment into the economy to keep it growing. The review this year startled us, it makes us conclude that the prospects for the Soviet economy in the next few years is more bleak than it has been any time since the death of Stalin. Why? Because we think they have succeeded in continuing an increase in productivity over these years by a simple formula by continuing the increasing contributions of labor and capital and this is approaching a dead end. In the 1960's they had a very low dip in births in the 1980's the rate of growth of their labor force will

drop from the present 1 1/2 percent a year to about 1/2 a percent. In addition, a lot of the increment of population will come from the central Asian areas and its hard to get those fellows down from the farm and into the big cities. Similarly I think a lecture to you on the increase in costs of the other resources that go into developing an economy, the Soviets are going further into Siberia for iron ore and our energy study pointed out that one of the major factors in the pessimism we have is to meeting our world situation is the fact that we think the Soviet energy oil production will peak in about 1980 and drop off precipitously. Why? Because they are simply not developing reserves at the rate they are producing today a rate commensurate with their production. Their emphasizing current production even to the extent of hurting the long term position of the reserves they will get out of their existing wells. Where does this leave us? It leaves the Soviets, I believe, with some difficult pragmatic choices in a few years. They can, of course, reduce the number of men in their military and try to make up some of that forthcoming problem, they can reduce the investment in their military, they can fail to deliver the ML.6 bbl or oil a day that they plan to sell to the Eastern European satellites, they can of course try to borrow more on the Western markets to maintain the infusions of western technology that are important to the growth of their economy today. Which of these courses, if any, they will take, I don't know, but I would point out that there is a hard probability that when the difficult decisions are going to have to be made, the Soviet Union should be in the midst of another ~~big~~ major change of leadership. None of us can predict how that will go in that kind of government, but it may not be the optimum to make difficult choices. But we don't predict that, it may well be that

they make just the right choices, it may well be that they accept the right sacrifices and they come out well. But whichever they do, it's going to effect you and it's going to effect me. If they reduce their armed forces it will effect the amount of investment we put into ours, if they go onto the world markets for hard currency borrowing, it's going to be a real question here for this city, what will our national policy be in responding. If they reduce their inputs to Eastern European satellites, what effect will it have on the political stability there. If they become a/ importer of oil rather than exporter what will that do to the pressure of world prices. Again, ~~we emphasize~~ ^{we emphasize} if we don't pretend we know the answers, but we do hope we are helping by publishing these studies in the public domain to get the public to focus on the right issues, and benefit tremendously from the dialogue that ensued, such as I mentioned from the energy study. If you are surprised that an intelligence officer is standing here and suggesting to you that he wants more dialogue from the public, or exchange of information, you're right it's unusual, it's different. The tradition in the profession is maximum secrecy, and yet as you can see as we move forward in this area of international economics more information can be exchanged, and where this exchange can, I believe, be valuable to the country it is difficult not to want a policy of greater openness. So what we do today, when we do a study an estimate, an evaluation, we take a look at it carefully and we say--can we remove from that those clues as to how we got the information, can we compromise those sources in the picture, can we remove from it such kernels of information that are valuable to our policy makers because only they would have- and still have

something of sufficient substance left to be of value to you the general public. Well, the answer is yes, as it was in these three cases and a number of others recently, we go ahead and publish.

Well, now don't let me mislead you, the bulk of what we do is secret and must remain secret. There is no way we can open up an intelligence agency total, we must have our own ability to preserve our secrets and our chances for it, for maintaining it secret. And I would suggest by opening up as much as we are doing, we are in fact at the same time helping to preserve secrecy. Winston Churchill said when everything's classified secret, nothing is kept secret. And we, today, in this country have too much classified information, and hence, not enough respect for it. So, by narrowing that corpus of classified data we sincerely hope that we will engender respect for what remains. Let me suggest that we badly need to regenerate that kind of respect. I'm involved in media these days with controversy over a young disgruntled former CIA employee. He just published a book without honoring his oath and his promise to me personally, to let us see that book for security purposes. I would suggest to you that the ultimate of the Ellsberg-Snepp syndrome as I call it can only mean that each one of us, each one of the 215 million Americans has the right to determine what should be classified and what should not in this country, that would be chaos. Your Harvard men and women, let me remind you, one of your distinguished magna cum laude graduates of 1951, was one of our most distinguished employees, who had risen to the top

of his profession and was our chief of station in Athens, Greece, and two years ago next week he was gunned down in the streets, because a traitor had revealed his name in the press. We cannot tolerate that kind of approach to life in this country, in my opinion, and continue to have the necessary effective intelligence services that we require. I suggest the time has come to remember that Watergate is behind us and to replace some confidence in your elected officials and the public servants whom they appoint. Now, I don't ask you to trust us entirely, secrecy is a very dangerous thing and its one that must be delicately handled, for we are today, in the aftermath in the crucible of the ^{criticism of} intelligence community in this country over the last 3 years, building a series of checks and balances on our secrecy and on our procedures.

We cannot as I have intimated have full public oversight of what we do, but we are developing today what I would call surrogate public oversight. The first surrogate is the President of the United States, the second is the Vice President. I can assure you that they each take an active interest and role in our intelligence and that I keep them fully and completely informed. Another set of surrogates is two committees of the Congress, the Senate Select Committee on Intelligence and a recently constituted parallel committee in the House and they are a very good oversight process. The check on us. They call me up and have me account to them, and at the same time they are a sounding board to me and I go to them with my problems and I can discuss them and ask them for the feel of what the country wants and will accept under these circumstances. There are other forms of oversight, but let me simply conclude by saying it will be ~~xxx~~ a year, two, maybe three, until we settle

out on this new, what I call American Model of Intelligence. The model that will try to find a proper balance between more openness on the one hand, and adequate preservation of secrecy on the other. Between more oversight and control on the one hand and sufficient initiative and risk taking on the other. As we evolve that model, while it's still risky I'm confident it is going well and will come out properly, we are going to need confidence and the understanding necessary from the American people. That's why I'm very grateful that you have shown, the interest to come here to listen to me today.

Thank you very much.

QUESTIONS & ANSWERS

Harvard Club, New York City

Stan, your comments today as well as your efforts over the last 9 or 10 months, I'm sure instill confidence in your ability and the ability of the Central Intelligence Agency, and the ability of the United States Government to instill in the 215 million of us a renewed confidence in our great country and I thank you for that.

Q. inaudible

A. Can we get an honest evaluation of our clandestine and covert activities when the people judging them are in the same organization? There obviously is a problem here, but let me say that I think that's what we are creating this oversight process for and we have these checks and balances. The committees in Congress keep track of these operations, they know what we are doing in very good terms. I failed to mention something called the Intelligence Oversight Board, Governor Scranton, Senator Gore and Mr. Farmer report only to the President of the United States. Any member of the Intelligence Community can bypass me and go to them with a communication and say, look that fellow Turner is running amok down there he's doing things in the country that he absolutely shouldn't be doing. They will investigate it, make a recommendation only to the President who will then decide what to do. So, that increased interest at the top of the Executive Branch, we have a committee with the Secretary of State, the Secretary of Defense, the National Security Council Advisor to the President, Secretary of Treasury and myself who review on a regular basis what we are doing to collect intelligence and how well we are doing in it. We must make semi-annual reports to the President. So there are a series of these checks and I think take care of what your saying.

Q. Inaudible

A. Why was ULTRA kept secret for 30 years? I'm not really sure that I ever thought about that one or heard about that one. You sure this may not have been tied to the 30 year law in the United Kingdom for releasing data?

Q. To the Ambassador. (Mr. Ambassador do you think that would be tied into it?) Your talking about the ULTRA code breaking situation. There was also some unfortunate thing called MKULTRA that we got involved in. It is difficult sometime to explain why we do want to keep information classified that is historical. For instance if you make a pact with an individual or corporation or country, a liaison arrangement with the different nations, to exchange intelligence information and it does become historical after a while. The information is no longer a _____ of secrecy. But the fact that you had that partnership, that cooperation and you made an agreement and it was to keep this quiet and particularly, today
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with what I think is often unreasoned knee-jerk reaction in opposition to anything to do with the CIA or intelligence. You at least embarrass that other individual, or corporation or country and also you then endanger your ability to get that kind of agreement again, not necessarily with that person but with any. Let me tell you quite candidly, Mr. Snepp published his book a couple of weeks ago. The next morning we received a phone call from a foreign agent, working for us, in our interest, against his own country, and he said I'm quitting, if your going to have people publishing names and activities of your intelligence operations, I'm not going to stick my neck out for you.

Q. Inaudible

A. The Ambassadors country and himself are very discreet people and I'm not going to be indiscreet enough to infringe on their discretion.

Q. Inaudible

A. Your darn tootin I thought about it. Anytime someone suggests that I might go to jail, I think about it. Seriously, I think about complying with the laws of this country, I think about complying with my own sense of integrity and honesty. I'm in a much better situation than Mr. Helms was, because I have these two committees of the Congress today who are my mentors and who are my go-betweens between me and the rest of the Congress on matters of intelligence procedures. Information on what's going on in the world I willingly provide any committee of Congress, but information about how I do my business is funneled through these two committees, so I could have stood up before the Foreign Relations Committee that Mr. Helms was before, and said when asked a question about what activities were going on in Chile, sirs, I would request you go to the Senate Select Committee on Intelligence because I share that with them to the degree that it can be shared, and I would have been required by the procedures under which we conduct covert action today. That was a covert action that was not an intelligence operation, action being influencing events abroad, covertly without it being known who is doing it, and there are very, very tight controls on that today that did not exist in his day. I must get this cleared by the National Security Council, I must get the President's signature and I must obtain notify 8 committees of the Congress and those are reasonable controls on our doing something without authorization.

Q. What incentives do you have to declassify non-crucial information at the CIA and who has the authority to decide what generally should not be classified.

A. This is one of the most difficult questions in government as to who is authorized to classify and who is authorized to declassify information. It is very, very hard to set precise rules, we are trying to do so now, under the new Executive Order

on classification and try to set some levels on which people, according to their station in the organization, can set different levels of classification. For some years now we have had rules about automatic downgrading after so many months and so many years, and this sort of thing looses its classification, so obviously our procedure is to prevent that. It is very complex and very difficult the incentives you asked for, what is the incentive to declassify, I think it is my conviction that too much classification leads to disrespect and that we must not allow ourselves to get into that position. I wish there were a very simply answer here, but there just isn't.

Q. Inaudible

A. Your question is, to the overall television media

Is the media particularly the television media fair in its coverage of us and secondly, your referring to an article I had in the op ed page of the Washington Post yesterday in which I took exception to Random House and CBS's surreptitiously participating in the publication of this book on the CIA. I took exception to that because it wasn't very good investigative reporting, when they only looked at one side of it and when the reason they filmed the show some 3 or 4 months ahead of time and secretly hid it away and did the same with the books, was that they were afraid that if we found about it, and clearly we were not trying to find out about it because we don't investigate American citizens in the United States and we had taken Mr. Snapp at his word not his oath. They were afraid we would have obtained an injunction against the publication. I'm not sure I agree with trying-to-avoidethics of trying to avoid the legal processes that are instituted to protect the citizens of this country, I don't admire that but I think the media of the country treat us as fairly as they do most organizations, but I think there is still an unfortunate knee-jerk reaction when you can put the word CIA into a headline that it automatically draws readers. And if you'll note carefully in the future, when you see that happening please read the dates of the activities inside will you because I'm concerned about what happened in 1950, and I'm concerned about what happend in 1960, but I'm only concerned about it as lessons for the future and you'll find that a lot of these articles have very few lessons in them.

Q. Inaudible

- A. None overstaffed. I told everybody three months ahead of the announcement of the individuals to be asked to leave, we were going to do that, nobody complained. Nobody said this is a bad idea. We asked too few people. I do not feel that as a responsible public official that I should charge you taxpayers for 820 people more than we need, nor do I feel that I can motivate the young, marvelously capable dynamic people we have and are fortunate to have at the Agency. They are overmanaged and under utilized, that's the situation that exists. These cuts coming entirely out of overhead, entirely out of the headquarters, they are reducing the active overseas clandestine service that we conduct. We are only cutting overhead. We are not relying more on technical means of collecting intelligence, we are trying to improve our human clandestine collection capability. I have full confidence that these people are patriotic, dedicated Americans and even if in November we have 212 of them to leave, sometime next spring, I do not have any concern that they will go and turn over to Agents for the KGB or publish classified information. 632 were released in 3 months in 1973, by then Director Schlesinger. No ill effects came from that. It's the disaffected, Snepps, Agees, Stockwell who cause us the problem in the public arena, not dedicated loyal employees such as these. Of the 212, 150 can retire, I estimate we will replace another 30 in either other components of the CIA or other components of the intelligence community and there will be a very small residue that will not purposefully or with great contention be asked to leave the organization.

Thank you very much.

