

31 January 1978

ADMIRAL TURNER'S TALK

to the

HOUSTON COUNCIL ON FOREIGN RELATIONS

Houston, Texas

Thank you very much, thank you Bill. Thank all of you for coming out. One treat when you do some public speaking is to talk with a group like this that you know is very serious and very interested in our country's foreign affairs. I look forward primarily to trying to make my remarks short enough so we will still have some time for discussion and questions because I would enjoy that very much. Bill, I think that the difference in our backgrounds is that when I went to Annapolis I didn't have the foresight to get to know Jimmy Carter, and so therefore he had the, perhaps, lack of good sight or understanding to appoint me to this position. You undoubtedly knew Jerry Ford and you see what happened....

Now we have a phrase in the intelligence world, part of the jargon in the trade, that when your anonymity disappears and you can no longer escape being identified as an intelligence officer your "cover is blown". As Steve has just told you, that's happened to me twice in the last few days. Seriously, I hope you'll read one or the other of these stories about the intelligence community which

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happened to come out under my picture. I can assure you they say very little in there that is complimentary about me and, of course, to that degree they are wholly inaccurate. But, although there are critical phrases of what's going on in intelligence today, I'm very encouraged that they have been produced because they try to grapple with the question of how we can have an effective intelligence organization in a democratic society. The intelligence community of our country has not received much treatment in the media for three years now that wasn't purely critical. I believe we are now seeing a turnaround. I'm encouraged by the constructive tone and debate that I think is starting to emerge and I'm excited at the prospect and believe we are going to usher in the next few years what will be looked back upon in the future as a new era in American intelligence. I can assure you that I believe sincerely that we can have an effective intelligence operation in this country that is compatible with our standards in society and which will protect the rights of our citizens. I can also assure you that we won't have that without changes; we won't have that without some controversy; we won't have that without shaking up some bureaucracies; and you don't ever do that easily. All of you can change your business organizations, I know, just like that, and educational institutions are no problem whatsoever. But government bureaucracies are hard to change. The change, the adaptation we are going through in intelligence today I think is very much akin to experiences some of you

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may have had in the business world if you started out with a family business and then moved into being a corporation. What I'm saying is there are a lot of family businesses that start with good products, are very successful, but after 30 years or so they suddenly find the product needs updating, maybe diversification. With that they incorporate and the world becomes different for them.

The analogy in the intelligence world is that we started for the first time, 30 years ago last September to have an organized peacetime, intelligence community organization in our country. It came out of OSS in the military and all of World War II but it was regularized by the establishment by the post that I hold, the Director of Central Intelligence, which coordinated all intelligence activities of the country and the post of the Director of the Central Intelligence Agency which I also hold, which is the central intelligence gathering and analyzing organization with lots of other intelligence activities around it housed in the Department of Defense, the Department of State, Department of Energy, the FBI, and so on. But that family organization, that family business of intelligence that we set up 30 years ago, had one product when it began. That was seeing what was going on in the Soviet Union. Primarily, what was going on militarily there. We were concerned also with Soviet satellites in Eastern Europe. We looked carefully when the Soviets made a foray, an attempt to establish a beachhead in some foreign country. But basically, the intelligence

product of the early days was determined by what the Soviets were doing and where they were doing it. There was one other characteristic of it that I would like to mention. In those days when the Soviets did make a foray out in the field somewhere, this country called upon its intelligence organization not just to tell all about what was going on-- to provide intelligence--but to do something about it, to help out, what we call political action. We were there in Iran in 1953; we were there in Guatemala in 1954; we were perhaps unfortunately there in Cuba in 1961 and thereafter; we were there very constructively throughout the Vietnam conflict. And as recently as 1975, we were there with political action in Angola until the Congress decided otherwise. But now, look today, 1978, at how different some of these things are than in 1947 when we started.

Today we are interested in intelligence in a lot more than 8, 10, or 12 countries of the world. This country has legitimate needs to get intelligence information about almost all of the 150 some odd countries that there are. We are not interested in just military intelligence. We are interested in the political and economic. I want to stop and say, don't think military intelligence is not important to us, it's number one, that's the greatest threat to our country, but we must be abreast of these other areas too. And it puts new demands on us. Finally, let's take a look at this political action question, because I believe that the attitude

of our country today is that political action--to interfere in the events of other countries--is not nearly as accepted as it once was 5, 10, or 20 years ago. It's not that I believe we should do away with that capability. We must have it in that instance when it is critical to our national interests. Those instances in my opinion will be less frequent today. We will judge them more judiciously and we will do them under greater control, and I'll speak of that in a minute. So, the product of American intelligence is shifting today from narrow emphasis, from one country and one subject, to a broad emphasis of collecting intelligence much more than doing political action on a wide range of topics in a wide geographical sphere. When you make that kind of an adjustment, and change your product that much, it is disturbing to established routines and outlooks. You need different kinds of people, different kinds of thinking, different kinds of analytic tools. We are going through that adjustment and it is disturbing.

Now, another reason that businesses move from family status to incorporation, is often that their production line itself is outdated. They need new equipment, new modern equipment that takes capital and they go and incorporate to obtain it. Well, the production line of intelligence today is also changing, it has to be a different mechanism. Gentlemen, in the last 5 to 10 years, the quantity of intelligence information that we obtain by what we call

technical means--sophisticated technical devices--is just burgeoning out of your imagination. You go out to water your garden with a garden hose today, it's like moving to a fire hose tomorrow and a water main the next week. That has tremendous implications for the structure of the organization of this intelligence community. Now interestingly, we all recognize that the basic ingredient of intelligence over the centuries, since Joshua attacked Jericho and sent some spies inside the city first, has been the human spy, that's been the basic element of intelligence, always has been and I believe always will be. But today as this quantity of technically collected data pours in, interestingly, we need more of the human element of intelligence. Why? Because if I take a decision maker some nice fresh, technically collected data, in a very broad sense what it tells me and him is what was happening someplace yesterday or today. The first question I get is, hey Stan, why, why did they do that and what are they going to do tomorrow? That is the forte of the human intelligence agent, finding out what people's intentions and purposes are. So the more we collect data technically, the more we need to compliment that with human intelligence collection. But here, the production line is different. It used to be a single machine. Most of the emphasis was on the human intelligence effort. Today it is a series of machines that must be well-oiled and meshed together. No one is able to do the job in itself.

A given intelligence agent is just as important as ever, but he is no longer the only star in the sky, he is one in the galaxy, maybe first among equals. But this again, this change of the production line, requires adjustments, it requires changes in techniques, it requires careful consideration of the implications of what you get from one source and how it plays back to another. How you compliment each other instead of just going out and doing the whole job yourself. That isn't an easy adjustment and we are going through that today.

Often too, the family business grows along over a period of time and you find that you can't run the business as it modernizes with the same old family personnel policies. Uncle Charlie, cousin Bill, may not be just the right skills that fit into the organization as it comes along in time. In our intelligence world today we are facing much the same situation. We have been blessed for the last 30 years to have some of the most dedicated public servants in this intelligence game, people who came in with that sense of dedication at the end of World War II during the height of the cold war, the Korean War, and they have given us yeoman service for all these years. Gentlemen, today I have to make provisions for the Central Intelligence Agency of the 1980's and the 1990's. We have a situation where our top talent, these marvelous people who have seen us through this period, are all aggregated at the top and the age-spread

the average-age spread, the spread between the top vice-presidents in my organization, strictly at the Central Intelligence Agency, is very narrow today. One of these days they are going to leave, not very far off, 3 or 4 years they will be ready for retirement. I have a different problem from any one of you here, I believe. Doctor, at your medical firm, if a lot of you leave at one time, you go out and get some more doctors from other firms and other walks of life and the same with most of your corporations if your vice-presidents all leave at the same time. You can go out in the market and find replacements. Where do I go to find a trained spy? I've got to grow those from inside which means I have to have a progression system that brings them along in adequate quantities. Because when I assign a man to a very sensitive, risk taking post I don't want to have a choice of one, I want to have 3 or 4 candidates who have been groomed, who have been given the background, so that I have full confidence that that man performs for the United States of America in a way that you and I want him to in that circumstance. So we have been in the process today of discarding a menial personnel management system and going to a slightly less personal one of a corporate nature. A competitive one, one in which there must be adequate movement, so that people can be brought along and we have a constant stream of candidates for the important jobs at the top. But Gentlemen, when you have to ask 212 of your

faithful employees to leave, and retire in 2/3rds of their cases as I did last November, it is not pleasant and it is not happy, but it had to be done for the long term health of the organization. So, these are difficult times, difficult decisions that have to be made as we move out of the family business into a real intelligence corporation.

Now, the family business also generally stays out of the public limelight. But when it incorporates it has to make stockholder reports and subject itself to much greater scrutiny. Much the same is the case in the intelligence world today. We are simply at a place where we must be more open with the American public. It has disadvantages, it has dangers, especially when you compare it with the KGB and its method of operation. But it also has advantages. In the recent years past, the intelligence community when criticized in the media drew very little support from the American public, because it had never taken the time to share enough with the public to let it understand what was going on and what was necessary and much of the criticism was exaggerated or incorrect. Today we are trying and it is a very difficult adjustment. To be more open. Not to the extent of baring our country's secrets and particularly not to the extent of baring information about how we collect our intelligence because once you share that with the public you may well deny yourself the opportunity to collect it that way again, be it technical or human means that have done it

for you. But, for instance, we are sharing much more about what we do and what we produce. When we produce something of importance in terms of an evaluation or an estimate, we look it over very carefully and we ask ourselves, can we take out the highly classified information and still have enough of a corpus left here to be of real value to the American public, and if so, we do publish. I'm sure many of you or most of you read of our publication last spring of a projection of world energy and where that was going. Many people have criticized our study. We called in the critics, we've had good exchanges on it, but we've not been persuaded to change our general estimate. But we are looking for clues to tell us whether things are going in the direction we predicted or whether they are going some other way and we are willing to be told we are wrong if the evidence says that. But we hope and I believe the evidence shows we have improved the quality of American debate on this topic by publishing this study. Similarly we amplified it somewhat later with one on the particular energy situation in the Soviet Union, one which I believe not even many of the oil corporations and studying in great depth. While again, we may be right, or we may be wrong, but some of the statements coming out of the Soviet Union in recent weeks seem to be confirming what we have been saying. We hope we have stimulated the debate and provided some factual data so other people will study this in greater depth also. Later we

published a study about the Soviet economy in general, partly because of our projection of their energy problem, but partly for other reasons we have come to the conclusion that in the next 4 or 5 years they are going to have some bleak times. That has considerable implications for some of you because their ability to generate foreign exchange, to enter our market for manufactured goods and technology, doesn't look to us as if it is going to be very favorable from their point of view. We are hoping to contribute more to the knowledge of the American public and, as I said, to the quality of debate, by publishing where we can. When you are in an operation where much of it can't be done unless its kept secret, it's a difficult adjustment to the organization when you make a shift from maximum secrecy to at least a reasonable degree of openness.

Now, finally, when a family corporation goes public, you also must subject yourself to oversight from its board, from its stockholders. And so to we are in the throes of adjusting the American intelligence organization to a much greater degree of oversight today. In our business, as a public corporation, as a servant of the public, it is unfortunate but there is no way we can let the public have total view, total visibility of what we do. So we have had to create what I call, surrogate public oversight. It is some way to give the public assurance that there are not abuses, that it is doing what it is supposed to do, that it is doing it well and efficiently for the country. The surrogate oversight is done

today by my board of directors. That consists of the President, the Vice President, the National Security Council, two committees of the Congress dedicated to intelligence only, and something known as the Intelligence Oversight Board. I report to these much more regularly and much more completely than has been done in the past. There are hazards here too, but there are also great strengths, strengths of staying in touch with the American people and what they are thinking and what they want us to do. The strengths of frankly sharing some of the responsibilities. As Congressmen absorb this information and know about it, it is a very sobering experience to them, and I have great faith that they will hold those secrets and they have held those secrets well. There is great strength to me also in having someone a little more detached than myself to pass judgment on some of the difficult and risky decisions that have to be made, to give a different point of view on them. But there are risks, there is the risk, for instance, that with all this oversight we will come to have intelligence by committee, we won't take risks. There is the risk that we will have leaks and that we will not be able to hold our intelligence secrets if they are shared with this many committee oversight people. I can't tell you that that's going to work, but I'm optimistic and we are working to establish those rules with the Congress.

You may have read in the paper that a week ago there was a historic moment for American intelligence when the President signed a new Executive Order which will set a framework in which we can move in these five directions I've indicated to you. And that new Executive Order has three basic tenants in it. The first, it is to establish under my chairmanship a committee with the Secretary of State, the Secretary of Defense, the National Security Council Advisor to the President, Secretary of Treasury, that will give the basic guidance to the intelligence community. What do they want? I'm not the one to determine what they want. I'm not a consumer of intelligence, I produce it. But it is of no use if I don't produce it for the people who are making decisions for our country. This is an important step forward to ensure we have the guidance that we need in order to tell what to collect, what to analyze and what estimates to give. The second tenant of the new Executive Order is to give me as the Director of Central Intelligence greater authorities to ensure there is the proper coordination of the entire and substantial mechanism of our country; that it is pulled together so things don't drop between the cracks; that you and I as taxpayers don't pay for duplicatory capabilities; so that we do it efficiently. The third tenant is to establish better procedures to ensure that the rights of American citizens are protected against any potential abuses of the intelligence process. This has been largely

by interjecting the Attorney General in who establishes the rules under which I will operate whenever there is any possible interference with the American citizen.

I believe that this new Executive Order and these three new directions that we are moving are going to build a stronger intelligence community for us and one that does have good roots in our democratic traditions. Now the Congress will take this Executive Order and develop legislation, incorporating some of it, putting in other things they feel should be codified in law. As we work out that with the Congress, these balances that have to be established between enough oversight to be sure we are doing the right things and not too much oversight so that we don't come to have timidity and leaks, will be worked out. Our relationships with the Congress have been good in this regard but it will be as I said, a year, and year and a half maybe before they settle down and I can give you a final status report. But I can say to you in closing tonight, I'm optimistic and I'm bullish for the prospects because I think we are doing something exciting in building a different model of intelligence than has existed before and one that it is particularly and peculiarly adapted to our society and our time.

Thank you.

QUESTIONS AND ANSWERS  
HOUSTON COUNCIL ON FOREIGN RELATIONS  
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Q: I'm very grateful and I know all of us are for the organizational and the philosophical changes you're undergoing but I don't know that anybody in the room, after hearing you talk, has really gotten any of the drama out of the CIA. Could you share with us one of the difficult, risky decisions you have had to make, or has come about in which you wanted some oversight?

A: Well, if somebody calls us or sends a wire in and says, Mr. Director, I'm about to establish a covert relationship with the foreign minister of this country who is now going to act as a spy against his own country, commit treason and tell us what's going on in his country. Now, you know if that's the Soviet Union, I'll send you back a go, because if we get caught they expect it. But let's say it's country X that is basically friendly to us and with whom Cy Vance is going to be out there tomorrow in a conference. I'm not giving you a real example, I'm purposely obfuscating it as to the characteristics, but it's atypical of the type of thing you have got to do. It's a difficult, risky situation because if it blows, either because the man is fooling us and he is really a double agent working both sides of the street, or because he is genuinely for us but one of us makes a mistake and he gets caught, U.S. relations with country X are going to be a real problem. The value of our relationship with country X is something a little beyond my ken, because I'm inclined to want intelligence, right? But the equities in the country are more than getting that information. It must be balanced in some degree with the potential losses. So, I must go to somebody else and say, I think there is an 85 percent probability that I can keep this thing quiet for 3 years or whatever it might be. That is where I would like oversight because I think it is going to have some second view of that situation.

Q: The question that is on my mind, and you brought it up when you mentioned President Carter's executive office, is that in the minds of some reporters and commentators you are a virtual intelligence czar. The Wall Street Journal today was concerned about putting together under a central person, I guess that's you, all of these powers and all of these agencies that heretofore have been separate. Now the Journal didn't seem to think in its editorial that the collecting of information wouldn't be very harmful. They seemed to be worried more about the interpretation of the gathering of information. You have undoubtedly read the editorial. What is your response to their worries?

A: Your point and theirs is especially well taken and perceptive. Nothing that we have done, none of the powers given to me as the Director of Central Intelligence either are intended or in any way will impinge on the freedom of the intelligence agencies of our country to interpret the data that we collect. I have been given more authority to manage primarily the collection agencies where you go out and get the information. But it is very seldom that intelligence information is explicit, you have got to interpret it, analyze it, put it in perspective and make an estimate. Today, we have three principal estimating agencies: the Defense Intelligence

Agency under the Defense Department, the State Department Bureau of Intelligence and Research in the State Department, and the Central Intelligence Agency and one of its components--it is not collecting information, it is analyzing information. All three of them get information from everybody. I have been given new authority under this Executive Order to insure that nobody squirrels something over here and does not share it with all the analyzers. But I have not got the authority to order the Defense Intelligence Agency or the State Department Bureau of Research on what conclusions to come to when they analyze their dumps. I count on the State Department being a specialty in political with a secondary in economics, Defense to being a specialty in military with a secondary in political, and the Central Intelligence Agency to cover all three. So when I want an estimate on the economic future of country Y, I'm going to get at least two views, and maybe three, of that. Finally, let me say that if I ever try to run roughshod over those other people as a csar, Mr. Brown and Mr. Vance are cabinet officers and I don't think they are going to let me get away with it. I don't think concern of the csar of intelligence is a foundation in fact. But I'm given the authority to insure--and it has happened in my day, which is brief, 11 months--that two agencies are running out collecting information, both at risk to the country, I don't think that that's a bad kind of csar sort of authority to have, or at least some more authority to bring that together. Also, more than worrying about two people doing it, I'm even more concerned about nobody doing it.

Q: Does this come out in the articles in Time and Newsweek that this information will be shared by all branches and it won't be squirreled away. In other words, does it answer the Wall Street Journal editorial?

A: No, not expressly that way. It is sometimes difficult to get the media to keep things straight.

Q: Don't you find in running around the countryside that there is a lot more sympathy for less oversight than more oversight. I get the feeling that the more you get away from Washington, the more content we would be to have much less oversight. That's what the KGB would not like. I think a man in your position and with the background of that agency who knows what they're doing wants proper oversight but I would say let the oversight remain at certain times but not too much.

A: I appreciate that comment because it shows confidence in the organization to police ourselves and to keep things on track and I can assure you we intend to do that. But I'll be candid with you. I get out on the road like this about once every 5 weeks to make 4 or 5 speeches in a couple of days and try to have an interchange because I feel it is very valuable to get away from the Eastern Seaboard and talk with people. I get two impressions about the American attitude towards intelligence once you do get away from the seaboard. One is a very strong basic support but, two, is a very deep underlying suspicion generated by these last three years of criticism, some of it merited, some of it not, that we may be going about the business in the wrong way. To the degree that some traditional oversight will help to calm that and make the American public willing to have confidence in us and let us take some of the risks, I think it is worthwhile, but clearly I don't think we have gone overboard at this stage.

How the legislation is developed by the Congress will be very...(inaudible)... I don't think it will but it could be.

Q: With regard to recruitment, I would like your reaction to the fact that it appears from the outside that during the last decade it appears that recruitment at the lower levels, those from the universities and getting quality, first rate people, secondly in the last 5 years or so a diminution of interest in things international and a dropping off in fact, of those who study this very much, have you found this a problem?

A: No. It is always difficult to measure quality. I am very encouraged that even the young people seem to see through a lot of this vocal criticism. We get high quality young men and women coming into the intelligence agency today. We happen to want people who have more than two or three years of experience of any sort. We're getting a little more mature person perhaps, but our numbers are up and we generally feel the quality is close to what we want.

Q: What do you propose to do about those who do violate the rights of the American citizen, either those who are known to have done so publicly or those that you find have done so and it is not a public knowledge?

A: Before I made the decision to reduce the size of the Central Intelligence Agency, which meant asking some to leave, I came across 5 cases of individuals who were not following the rules. They were involved in activities which the Central Intelligence Agency should not be involved in. They were thereby implicating the Agency, although the Agency really wasn't doing it, but they were using their Agency status to do things for personal benefit. In one or two cases they had directly disobeyed orders of their superiors on overseas assignments and were off doing what they thought was good for the Agency and the country but they were doing it on their say, not their bosses say. I was required to read the thing thoroughly and to hear the thing personally and tell him to leave. They are not on our payroll any more and anybody I find violating the law, violating my regulations, will not work for us any more. If you are going to generate trust in the intelligence organization you have got to do that. I believe I have got it under control but I know what's going out tonight.

Q: Are those people not under Civil Service?

A: No.

Q: Are you exempt from the Civil Service?

A: I have the only authority in the government to dismiss people with no cause or no reclama. I have to exercise that judiciously, but I just can't take 3 or 4 years of Civil Service procedures to get a man who is off in a foreign country doing things that his chief is unaware of or has told him not to do--taking a risk for our country that we don't want taken--we can't wait for all that time to get him off the payroll.

Q: I have a couple of things from an article that you might like to comment on. One is that the reductions in force have been totally in the clandestine operations and not in the analytical operations within the headquarters organization. The other one which is really the essence of the article--and I'll quote it: "We need be thinking of no conspiracy.... it is far from encouraging that the CIA has recently come up with estimates of Soviet and Saudi Arabian oil capacity that coincides so neatly with the administration's domestic political needs." Now that has nothing to do really with the oil production of the Saudi Arabians and so on, but the accusation is there and implied and I would like you to comment on it.

A: The answer to the first question is yes and the answer to the second question is no. Only the clandestine service, the agent operating in the human intelligence portion of the Central Intelligence Agency was reduced in strength for the basic reason that long before I came there it was widely known that that portion of the agency was very over-strength. Partly because it has historically been that way and partly because of this shift I described from intelligence collection away from political action towards intelligence collection. We don't need as much political action backup as we did before. Basically, we simply were overstaffed and what we have cut from that section of the agency is not its fighting arm, we haven't cut the overseas portion, we have cut only the headquarters staff, the overhead. There are fewer people telling everybody else what to do. I thought it was critical to make that move quickly because I have found that while you are getting in good people at the bottom they have got to be with us 5 or 6 years and they saw this oversupervision and under utilization and they were leaving. The second part of your question is have I been politicized because I supported administration policy. The answer is no. But you have to take my word for that. One of these days I might put one out that is against the administration policy. I was accused of doing that already. Actually it wasn't a public report, but there was a big to-do over AWACS. You may remember I got in the press about that because supposedly the report I gave on AWACS, which was classified, cut the President's policies down. It wasn't really intended to do that but it was just a forthright statement of what the facts were concerning that situation in that country. It wasn't taking a position because that is not my job to take a position on policy. But some people interpreted it as not being supportive of the President. So I can only say that as some sort of evidence that I'm calling them as I see them. I have put the test on that if it can be unclassified and you would benefit by having it, I'm going to declassify it. Sometimes I will be accused of being politicized but that is the risk I take to provide you with a service that I think is worthwhile.

A: Admiral, a spy in a foreign country must work in private. He can't go around with a sign saying "I am a spy." Now, when his cover is broken his effectiveness is lost, and perhaps his life is in danger. My question is might it not be appropriate--the British have their secrets act--some legislation or some authority to have such effective punishment against those who have been in the service and who are privy to the most delicate information, to write a book or expose, name names. As we saw in Washington itself not too long ago, a publication daily publishing the names, whether they were active of course I have no way of knowing, but the names. This man is a spy in Greece, this man is a spy there. This, in my book, is

such a terrible thing that I wonder if it would not be desirable to have a secrets act or the equivalent in this country so that we could either stop them from doing such or punish them so severely that there wouldn't be the same things publicized, things that just have no business being publicized.

A: That is a very difficult question to respond to because I can't imagine anyone here who doesn't sympathize with what you are saying. I certainly do because these revelations are terrible. I'm glad you commented in passing on the list of people who were spies in Greece for us. They often get the wrong people, some poor innocent person is damned here and I can't come out and say who is a spy and who is not because by process of elimination you can tell who it is. It is really very damaging. It is a philosophical question of the rights to freedoms of our citizens. I am very strongly opposed to an official secrets act because it would get into their sources as well as ours. That is, if a man in my organization tells a man in a newspaper organization some secrets and we have a criminal statute that says my man can be sent to jail for having done that, then the law today also says the newspaper man can be required to provide evidence in a criminal case. That, of course, gets into the First Amendment and a very important philosophic debate there. So, I am very sympathetic and I want to find ways to strengthen our ability to keep people from doing the reprehensible things you cite. Here the proper judicial line in this is very difficult to judge and I don't profess to know how best to do it. But we have got to tighten up and an attitude such as you express may be a very big part of it. The last CIA employee who recently published a book -- the publisher, a television network -- cooperated with him to do it in a covert way because they were afraid that if I knew they were doing it I would get an injunction against them. I think an injunction is a legal act in this country. The man had also signed an oath and given me his word orally that he would not publish it without letting us see it and check it for security information. Two reputable organizations in this country with big names helped him circumvent those procedures. I think that is reprehensible and I think they ought to be criticized instead of praised and the man ought to be criticized instead of praised. The media had overlooked his character because he is saying some nasty things about us. Justified or unjustified, he was a hero and I don't think he is.

Q: On the energy reports, do you intend to continue publishing energy studies and before you answer could I say I hope so. Those of us who are working for the development of American resources believe the facts are on our side if we can just get them out to the American people in a voice which is more powerful than a political voice and more powerful than an academic voice. Second, those of us that are in this area are trying to take some political action in a regular American legitimate way and we need the facts that you have.

A: I'm committed now. That was one of the decisions I had to make when I decided to go with opening up these reports. If data comes in tomorrow which reverses and makes us look bad for having published the last one, it is pretty tough for me to sit on that. So I'm going to have egg on my face if that happens. If some data comes in tomorrow which shoots down Jim Schlesinger's energy policy, we have to publish that. I'm on the spot,

I'm on the griddle; my bets are going to be bested one of these days because it is going to happen. So, yes, I intend to keep publishing these energy studies. It is a question now of asking whether the information is worthy of another publication.

Q: Admiral, you talked about the 800 people which have been thrown out, what is the actual full-time present employment level of the CIA and the employment level of the KGB?

A: We don't discuss our employment level in an absolute figure, nor do we really have a clear handle on the KGB but it is considerably larger than we are. But let me say that we are still--and I intend to keep it this way--the number one intelligence organization in the world. I think we have an edge on the Soviets for a couple of reasons. One is that we do have a tremendous edge in technological intelligence collection, we are one of the more sophisticated countries in that regard. Secondly, on the interpretation of intelligence, I don't think you can possibly be as good at interpreting intelligence when you are living in an autocratic society and your head might get chopped off if you come up with the wrong answer, as you can where we seek competing and differing views. I therefore believe that despite the massiveness of their effort that we are and will be able to stay ahead of them.

Q: Perhaps I ought to ask this of the Director of the FBI but we get reports that the Soviets and Eastern Bloc countries have stepped up their industrial and technological espionage. Is this correct?

A: I think that is basically true. Today, the number of visitors from the Eastern Bloc and the Soviet Union.....(end of tape).

BUSINESS COUNCIL TALK

15 FEBRUARY 1978

Delighted

1. Privilege
2. Relations BC-IC much on mind

John Butts suggested discuss ways BC could help IC--

I'd like to explore whether ways IC help BC

Believe trends driving us to coincident interest--

more contacts between IC and BC.

4 Trends in IC--reshaping IC--taking from crucible 3 years  
criticism and investigation *past*

1. Product changing

- shifting from concentration on SOV-MIL to wider range of countries and wider range of topics, including lot of emphasis on international economics.
- *stress* ~~emphasize~~ not just another route to military information. Interested in economic information because *internat* economic questions of themselves growing importance to national position *in world*
- 30 years ago *1st organ*
  - o ~~CIA emerged from OSS/Cold War~~
  - o ~~Single focus--Soviet/Military--dominant political power; independent economically; only possible threat--military looked at Soviet Union, looked ~~at~~ other nations~~

~~forays into Third-World~~

*Branches*

o Product depended on what Soviets up to <sup>in mind</sup> and where.  
Turned out what up to not military adventures  
as much as to MIL threat and political subversion.

*In process resulting Product*  
o ~~So we called on TC~~ not just intel collection.

On what Sov doing in attempting subvert, but

Also covert political action

o Influence events about which reporting--Iran,  
Guatemala, etc.

- Look how world changed - *since early days - cont emp*

o U.S. has commercial & political relationships  
150+ countries. They are independent pol; we are  
interdependent with them econ. Means must keep

abreast on their problems & attitudes, & for most  
these problems are on issues of econ. & pol. not MIL

*same time - interest in*  
o Covert action down but capability retained

- Less useful--today's climate

- More judicious use

- Controls

- Product today

o Intelligence information--economic/political/military

- wide geographic area

- Examples--recurring requests to support USG;

1. Predicting Soviet Grain Harvest

2. What is the technological status of the Soviet Union--& other countries? How is technology transfer through commercial channels affecting that status? What is their ability to assimilate that technology? In part reflects military balance--also economic balance.

3. Economic balance & interaction between ourselves & principal developed economies-- Work closely Mike Blumenthal and Juanita Kreps--try not duplicate their efforts-- often we have unique sources, sometimes best net work and frequently most analytic talent. e.g., Reported Schmidt in Jan. state of nation address quoted Citibank figures--Show 1% faster growth FRG would only stimulate additional growth 5/100% UK; 7/100% France. I subsequently informed our decision-makers we don't agree with Citibank. We estimate the impact will be greater by about a factor of 4.

disseminated  
special policy  
informing

Issue--not who's correct--but government needs independent view of these commercial considerations--intel gathering and analysis function provides wider range data this area than any other. Our interests becoming more coincident because the information which is our product has higher content today of direct relevance to you.

3

||

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2. Not only product production line changing
- Traditional reliance--human agent
  - Increased technical capabilities. Thanks to you--vastly increased quantities of data
  - Means increased need for human collection
    - o More facts collected ~~more~~ <sup>gathered</sup> need for interpret/motives/plans. Only human agents can provide. Come in two versions: clandestine and overt/open.
    - o Clandestine intell agents--scarce, costly, risky

Fundamental rule: don't risk  
clandestine assets if info  
available overtly

- o With MIL secrets clandestine collection is usually only way--closed societies
- o Don't find many American citizens wander openly around Soviet military maneuvers and can report back on mil intell. In economic sphere your business contacts are expanding not only in Soviet Union but so many other 150 nations; many of you sit down with bankers or other businessmen from Soviet Union or other foreign countries; only once in 30 years did I ever sit down w/Soviet Admiral--then very guarded manner.

In short, as needs shift more to economic & political intelligence--open, overt, human production line more valuable than was just few years ago.

- American business community one best potential components of that open production line.
- Many instances your representatives overseas have far better feel for a country's politics & economic conditions than do all our government officials in same country--including mine.
- Bureaucracies simply tend isolate themselves with other bureaucracies----Unfortunate--True
- Sometimes also it's very beneficial to get your feel for trends in foreign country--because you have automatically interpreted it--whether market going up or down in your business
- With us we derive economic data clandestinely. We must then interpret it ourselves--offsetting sources & placing it in broader context
- Suspect seldom as good as you at that kind interpretation--we don't have same pressure of profit & loss statement. Hence in many instances we stand to gain a great deal from your interpretation of international scene.
- There are, however, other instances, we have advantage of being able collate info from number open sources-- e.g., What technology Soviets buying & why may not be apparent to individual corporations who each sell fraction of whole

- As we pull together--see proper picture--clue
- Actual case--led to classified sources for explanation
- As our production line changes to greater dependence on overt human collection, our open contacts with you are becoming more valuable. Value always there, downplayed in past because little help in MN sphere.

Leads to question--How do we best and properly gain access to that open information available in the U.S. business community?

DCD- CIA's overt collectors inside U.S.--have offices in

- 39 cities--in phone book
- call, say I'd like to talk to you.
- totally open & above board.

**MANY COOP TODAY & GRATEFUL**  
Opportunity--American citizen--offer--You not just American citizen

Reasonable question to ask: What you as President, CEO, Chairman, mix your responsibility to your country and your Board or your stockholders? Clearly I can't answer that. Most corporations, I believe, simply take position their policy is to cooperate with any government agency which asks for information.

But what I can address is our policies & actions to keep such a relationship confidential.

- First, our record of protecting sources has been extremely good--I am required by law to protect

sources & methods

- Governs open as well as clandestine.
  - o Unique info which could point to specific company is regarded the same as the company name. That info is also protected even from FOIA pressures under sources & methods legislation

- DCD looks on the sanctity of their open relationships with business world in just the same way that the clandestine service looks on its covert relationships with agents/spies. ~~Rarely for instance is it necessary for our analysts to know the exact source of data supplied by DCD~~

- Unique Problem

- o Proprietary interests--

Very conscious that in calling a matter of foreign intelligence interest to our attention, may reveal some proprietary data. Recognize strong obligation to protect not only your identity but all such information.

- Special controls on proprietary info in addition to classification. Can't be quoted unless we go back to source for specific permission.

Still recognize risks to you in associating with organizations so severely & publicly criticized in past.

Am sure you recognize much hyperbole  
But <sup>3rd</sup> trend--provides some reassurance

Greater oversight

~~if errors out of touch~~

~~Today much more formalized procedures for staying in touch~~

~~For reasonable degree supervision~~

Can't have public oversight

Surrogate

President, NSC, IOB, Cogress  
*Reporting*  
Risks

Strengths

Assurances to you that not dealing with organizations are operating out control

Hopefully there's another side to the coin-- *what u can do*

Feedback to BC from both overt and covert activities of IC, especially from large bank of analysts

Coincides with ~~4th~~ trend like discuss--openness

Embarked for number of reasons:

1. Need more support from public--think we'll get when show return for investment.
- publishing studies that can be declassified without hurting intelligence equities--better

chance weather storm last 3 years--  
frequently falsely accused--no one  
understood our mission therefore  
no support.

- In this business, taking risks for  
country. May make mistake--not break  
law, but whether risk worthwhile or not--  
want public support. Even during some  
mistakes past--net good plus

2. More open because want to reduce amount classified  
info--Protect rest. *Protect by reading*

- Now no one respects--e.g., Ellsberg, Snepp

3. Same time, opens opportunities to serve BC

Examples this year: 2/wk avg.

1. Energy - clearly shows we think price pressures going to with us next 4-5 years.
2. Steel - Not just existing but expanding plant facilities around world will continue to exceed demand.
3. Soviet Economy - Long run--problems of foreign exchange--hard currency--affect ability to enter markets.
4. Terrorism - Unfortunately, trends for Americans & American firms to be target of foreign terrorism show increase.

Plus unclass. economic weeklies:

1. Economic Intelligence Weekly--
  2. International Energy Bi-weekly--
- Suspect most of your companies subscribe
  - Single copies of any--Photoduplication Service,  
Library of Congress
  - Whole service--12.5% firms here subscribe  
DOCEX,  
Library of Congress
  - Have some examples on tables in back tonight,

*3*  
*Johnston*  
| Don't contend analysts better anyone's else--Do hope publishing contribute to nat debate--elevating debate to <sup>correct</sup> ~~right~~ issues.)

Not always sure what most important issues--BC

Basically publishing in unclassified form studies for government but may tip one way or other in business interested.

1. Have mechanism of our contacts DCD knowing what BC wants--but not always adequate
  - o Interested on political projections that might allow an assessment the likelihood of nationalization or some other kind of discrimination against foreign ownership...?
  - A.
    - o How the rise of the Communist Party in Italy, for example, is likely to affect investments.

o Whole issue of Canadian separatism.

How serious the threat? What means  
for investments?

o Stability of OPEC? Prospects?

o Prospects for investments in South  
Africa?

o What do the Chinese want? Where will  
they possibly invest their money? How will  
they want to pay for goods and services?

o Guidance on dealing with the Soviet Union  
or Eastern Europe or PRC?

e.g.,--who to deal with on specific issues

- the realities or psychology of  
dealing with these countries, i.e., how they  
negotiate; how far should you go in  
negotiations before you pull out and leave?

2. ~~Other sides of the coin~~ <sup>Not saying</sup> can divert resources

to purposes of business--my stockholders are  
taxpayers--Board of Directors, President &  
Congress

Must account to them--expenditure resources

Can look for areas of common interest

Can't be your security officers or economic  
analysts

- But when we understand what you are interested in  
and it is coincident with what we are doing we  
can and would like to be of greater service to  
you.

*Distribution product*

*Can't fill individual requests*

3. Also have the problem of preferential distribution. Don't want to get into the middle of providing information to one company and finding another wanted it also
- Generally must do through Congress, Commerce, ~~How get?, etc.~~

Conclusions--

1. IC on move today--Number new directions four which mentioned.
2. Desire for strong better controlled IC reflected--President decision E.O.--Congress interest reflected new committees and legislation just intro on Intell.
3. Out these trends--*emerging* opportunities for greater, proper, circumspect interaction--I hope to mutual benefit.

Here tonight looking for your views on BC--IC relationship

- o Want to build on productive relationship that now exists. *grateful*
- o Primarily needs good two way communication/exchange of ideas; anxious expand channels now have any appropriate way.
- o Turning to you tonight to suggest ways to do that.

