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General Hull
Mr. Lay
Mr. Dulles
General Cabell
Mr. Kirkpatrick
Mr. Coyne

SECRET

May 10, 1960

SUBJECT: Review and Analysis of Foreign Intelligence Activities as Proposed by the Bureau of the Budget - May 6, 1960.

The captioned subject was scheduled for consideration by the Board at its meeting of May 6. Based on a recommendation made to the Chairman of the Board by the Director of the Budget Bureau, the following individuals were invited to attend the Board meeting for the discussion of this item: The Secretary of Defense, the Director of Central Intelligence, the Special Assistant to the President for National Security Affairs, the Director of the Budget, and the Deputy Director of the Budget. Board personnel who participated in the discussions of this item with the aforementioned invitees included the following: General John E. Hull, Mr. Robert A. Lovett, Mr. Colgate W. Darden, Admiral Richard L. Conolly, Dr. William O. Baker, Mr. Edward L. Ryerson, and Mr. J. Patrick Coyne.

General Hull opened the discussion by summarizing the results of conversations which he and the writer had with Mr. Stans and other representatives of the Budget Bureau in December, 1959. He then summarized the position which he took in his memorandum of March 4, 1960 after draft terms of reference were circulated by the Budget Bureau.

General Hull stated it was his current understanding, based on talks held with Mr. Stasts a week ago, that the Budget Bureau had substantially modified its thinking as regards the type of study of foreign intelligence which it wished to see undertaken. He then invited Mr. Stans to outline his proposal as modified in order that the Board members might provide Mr. Stans with the benefit of their views on the proposal. Before doing so, however, he thought it appropriate to remind all present of the nature of the Board's assignment. General Hull then summarized Sections 2 and 3 of Executive Order 10656, as well as the "Agreed Undertaking" Paper which was prepared by the Board on April 6, 1956 and which was approved on behalf of the President on that date by Governor Adams.

Mr. Stans advised that the Budget Bureau has two-fold responsibilities in the area under discussion; one relates to the costs of our intelligence operations, the other to the organization and management of the foreign intelligence effort. He stated approximately a year ago he prepared a list of some twenty-five major problem areas which he deemed to be worthy of special scrutiny by the Budget Bureau. He said this list included foreign intelligence generally, as well as the communications systems of the Department of Defense. He indicated that following the preparation of his list, he had mentioned to the President that he thought it appropriate that these problem areas be made the subject of studies by the Budget Bureau.

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Mr. Stans indicated the Budget Bureau is not sure as to just what the cost of our foreign intelligence effort is. He thought the Budget Bureau ought to know how much the effort costs. In addition he stated he was not sure as to how well the foreign intelligence effort is managed and administered, and he felt he should be knowledgeable on this score as well.

Mr. Stans stated the Budget Bureau has in mind a study which is much broader and deeper than that which could be accomplished by any part-time lay group such as the President's Board of Consultants on Foreign Intelligence Activities. He added, however, it was not his intention that the proposed study encroach in any way upon the activities of the President's Board; rather, he hoped the proposed study would in some manner complement or supplement what the Board is doing. He said the broad purpose of the Budget Bureau is to have someone make the study, not necessarily the Bureau of the Budget, although he did feel the Bureau should be a participant in the undertaking.

Mr. Stans stated that at the outset of his consideration of this matter he suggested to the President that the office of Mr. Gordon Gray should be brought into the study. After subsequent discussions with the President, he talked with the Secretary of Defense who shared some of Budget's concern in this area, and who has since formulated his own ideas as to what should be done with respect to studying those aspects of the foreign intelligence effort coming within the purview of the Department of Defense. He next talked to the Director of Central Intelligence about the subject because, in his judgment, any study of the foreign intelligence effort confined to the Department of Defense alone would not suffice.

In summary, Mr. Stans stated the objective of the Budget Bureau is to make an analysis in depth and detail of the function of intelligence and of its costs.

Secretary Gates stated that, at the time Defense made its last budget review, his office concluded it should look at the enormously large foreign intelligence effort of the Department of Defense. By way of illustrating the size of this effort, the Secretary cited a research activity which would involve the expenditure of [redacted] for one piece of equipment which the Strategic Air Command is endeavoring to obtain. Secretary Gates said as we move into the area of satellite reconnaissance intelligence and we consider the very large read-out effort that would be involved, we realize that this effort, along with all other intelligence efforts in Defense, is one of considerable magnitude. He stated as he sees the matter there are three problems. One involves management and money problems. The second involves military requirements and their validity. The third involves the over-all effectiveness of the foreign intelligence effort in the Department of Defense. 25X1

Secretary Gates said he had a question in his mind as to who should head up such a study. He said he could get something underway on this in the Department of Defense, under the aegis of a retired officer

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of stature, but he wondered how the larger problem would be handled since there would be an overlap with the CIA, State, and other agencies. In view of this overlap he thought the study could be set up under the sponsorship of the President's Board on Foreign Intelligence or under the Director of Central Intelligence.

Secretary Gates expressed the opinion that there is a great amount of undesirable duplication and competition in the defense agencies concerned with the foreign intelligence effort. Accordingly, he said his office feels the need for some kind of study of the problem. He stated such a study could be set up in Defense but, before doing so, he would like to have the Board's view as to where it should best be established.

The Director of Central Intelligence, adverting to the suggestion by Secretary Gates that such a study could be set up under the auspices of the Director of Central Intelligence or of the Board, expressed the feeling that under the law his coordinating authority is somewhat circumscribed. As a consequence he said he has endeavored to operate as the Director of Central Intelligence on a "general consent" basis through the USIB and under appropriate NSCIDs. He indicated where a major issue has arisen, he has come to the NSC for resolution as the law provides.

Mr. Dulles stated that in USIB the community has been studying the question of costs of the foreign intelligence effort. He commented that one of the problems encountered in such a study is to define what activities fall within the definition of intelligence, and what activities fall outside of that definition. By way of example he indicated the [redacted] system and the Early Warning lines are not defined as falling within the area of foreign intelligence. ILLEGIB

25X1 Mr. Dulles stated one recent estimate for fiscal '59 places the cost of the foreign intelligence effort [redacted] Mr. Dulles then gave a breakdown of the estimated cost for Army, Navy, Air Force, NSA, CIA, State, AEC, OSO, and J-2.

Mr. Stans commented that the figures mentioned by Mr. Dulles are illustrative of one of his problems because at a meeting yesterday Secretary Gates had estimated the cost of Defense intelligence activities alone to be 25X1 almost [redacted] whereas today Mr. Dulles' figures would suggest that this is the estimated cost of the total community effort. Mr. Stans added that apart from the figures already mentioned, he has heard from some sources that the cost of the total foreign intelligence effort may be [redacted] 25X1

Mr. Dulles commented that he considers as very sound the suggestion of Secretary Gates that he get someone of high stature, rank and prestige to look at the Defense aspects of the problem. He said that, in turn, the CIA would find some knowledgeable individual to look at his area of activity. He added that at a later date it might be necessary for someone to look at State and some of the other agencies concerned with the foreign intelligence effort.

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Mr. Stans stated the Budget Bureau's only interest is in seeing such a study made. The Bureau does not care particularly who makes the study, or who participates in it, so long as the Budget Bureau is permitted to participate and so long as a thorough-going analysis of the entire effort is accomplished. He said he believed this analysis should include appropriate tests, but he did not elaborate on the kind of tests he had in mind. He said the Budget Bureau has no intention of directing such a study unless everyone concerned feels the Budget Bureau is the only one competent to head such an activity. He expressed the hope the President's Board of Consultants on Foreign Intelligence Activities would cooperate in such a study.

Mr. Gordon Gray stated he personally favored Budget Bureau participation in the proposed study. He said insofar as the President's views are concerned, Mr. Gray did not believe he had any preconceived notions in the matter. He believed, however, the President tended to believe this field is one for the intelligence experts to handle. He said the President has commented in the past that he personally never served as a Military Attache, and, having had no direct experience in the field, he tends to the view that the handling of such matters should be left to the professional experts.

Mr. Gray said the President has a continuing interest in the subject, and that he had asked Admiral Radford as Chairman of the Joint Chiefs, and later General Twining in the same capacity, if it is not feasible to move toward a single, centralized intelligence arrangement at the Washington level of the Defense Department, as distinguished from the field levels. He said the President has encouraged the last two Chiefs of the JCS to look into the problem but that nothing much has been done. Mr. Gray emphasized that the President has encouraged an examination of the problem, but he has not directed it thus far. He said the President might include some comment on this subject in the "legacy of thought" which he plans to leave for his successor.

Mr. Gray expressed the opinion that the President would not agree that the study should include an evaluation of intelligence unless such evaluation is made under the auspices of his Board on Foreign Intelligence.

Secretary Gates said he would not want to leave the impression that nothing has been done on this problem in Defense. He then referred to R & E and other studies that have been made on various aspects of the problem within the Department of Defense. He said his office has the problem of Defense's foreign intelligence effort very much in mind.

General Hull stated he did not wish to create the impression that the Board does not appreciate that there are problems of organization, management and costs inherent in the foreign intelligence effort. He said, however, that these problems were quite complex. Rather than take the very broad approach to the problem that had been mentioned, he felt a better approach would be to look at the matter by segments. He noted that many studies are going on at the present time in a number of those segmented areas.

Approved For Release 2003/09/29 : CIA-RDP86B00269R000200060030-0

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He expressed the view that the resolution of many of the existing problems depends to a considerable degree on the organization of the different segments of the foreign intelligence effort.

General Hull stated the Board is not in a position to work on this matter on a full-time basis. He felt, however, the Board could be helpful both in the initiation of the study and as the study progresses. From time to time he thought the Board could make suggestions that would be helpful.

Mr. Lovett commented that, in considering this subject, it is necessary to recognize that it involves an almost limitless area of concern. He said the President's Board was set up to review the performance of the respective foreign intelligence functions of the various member agencies of the intelligence community. It was also set up to forestall action by the Congress to create a watch-dog committee.

Mr. Lovett said he has had an opportunity to keep abreast of the foreign intelligence effort more or less continuously since he served as Chairman of the committee which established the National Intelligence Authority at the end of World War II. Based thereon it was his conclusion that the intelligence community has made more progress in the last two or three years than in all of the prior period of which he has knowledge.

Mr. Lovett stated there was no question but that the intelligence community suffers from a horrible degree of overlap and duplication, and he cited the PIC/SAC photographic intelligence interpretation effort merely by way of example.

Mr. Lovett said as long as the military organization is organized on its present basis, we will continue to experience terrible overlap.

Addressing himself to Mr. Stans, Mr. Lovett stated in his opinion the Budget Bureau will get precisely no results if it approaches the subject in terms of a management-engineering study. He suggested that no meaningful results could be obtained in terms of reducing unnecessary duplication and overlap until a decision is taken to arbitrarily cut the foreign intelligence effort by 20%, 25%, or x%.

Mr. Lovett expressed the view that if the study is to be undertaken at all, it should proceed under the auspices of the Director of Central Intelligence, using either one or both of his hats, if necessary. He did not believe a representative of the Board should participate in the study on a full-time basis, although the Board should keep in touch with developments as they occur.

Mr. Lovett was of the view that the problem in question is much broader than the foreign intelligence business; the problem is one of the Government itself and of the organization of the Defense Department. He stated the organization of Government permits duplication to run riot in this and other areas.

Approved For Release 2003/09/29 : CIA-RDP86B00269R000200060030-0

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Mr. Lovett stated if the study is to be made - and he wished to express no opinion on that score - there is a vehicle readily at hand which is capable of promptly and effectively accomplishing that study. This vehicle is embodied in the Director of Central Intelligence.

Mr. Lovett added if the study is to be undertaken, only the most competent personnel should be utilized in accomplishing it. On this score he thought of two people who would be competent to head such a survey, and he added one of these was currently in the CIA, namely, Mr. Kirkpatrick, CIA's Inspector General.

Mr. Lovett stated when you get into the study you will find that the subject has no horizons and no azimuth. He said on the matter of duplication it is necessary in an activity of this sort to absorb a certain amount of duplication, but this does not mean it is necessary to continually create more jobs for more people, as now seems to be the case.

Mr. Stans stated he agreed with Mr. Lovett and in his assertion that the problem is one of the organization of the Government itself, and particularly of the organization of the Defense Department.

Mr. Stans said he did not know whether such a study would result in the saving of dollars. He stated conceivably it could result in the expenditure of additional dollars, but at least after this study was made we would have some knowledge as to what the true cost of the present effort is. He opined it would be unfortunate if costs were considered to be sacrosanct. He thought those in attendance owed it to the President to determine what present costs actually are.

Mr. Lovett noted, as regards the last point made by Mr. Stans, that the directive of the President's Board of Consultants covers the matter of costs of the foreign intelligence effort.

Mr. Lovett stated that, when and if this study is completed, it will undoubtedly disclose some areas where betterments can be made. However, from the cost point of view, which concerns Mr. Stans so much, he felt the President could achieve greater results and much quicker results by directing an across-the-board percentage cut of 20%, 25%, 30% or x%.

Mr. Stans agreed that this was probably a correct statement, but in any event he felt we should be in a position to tell the President what the cost of the present effort is.

Secretary Gates stated the problem of the cost of the Service Attaches is repeatedly raised in the Congress even though from a dollar standpoint it represents a relatively small figure as compared with the cost of the rest of the intelligence effort. He then cited an example of some of the problems encountered in this area. He referred to a recent request made by an Ambassador for a plane and an additional Air Force Attache. This immediately brought a request on the part of the other two services to assign attaches to the same location.

Secretary Gates stated he agreed with Mr. Lovett that if the top organizations in Government and particularly in the Defense Department are not correct, we will continue to be in a mess. Accordingly, in the interest

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of achieving maximum results, he thought the study effort under discussion should be headed by someone outside the Department of Defense.

Mr. Stans suggested the study might be headed by Mr. Dulles or by a joint CIA-Defense team. Regardless of who heads the study, however, Mr. Stans emphasized his view that the study group should include a representative from the Budget Bureau, a representative from the President's Foreign Intelligence Board, and possibly others.

Mr. Stans asked the Board whether it believed such a study would be helpful, and General Hull replied that in his view a study would be helpful to the President, to the Board, and to the responsible officials concerned, provided it is appropriately organized and conducted.

Mr. Lovett noted in a number of areas there is a very substantial body of knowledge that has never been codified. He referred by way of example to studies made by the Baker group, the Killian group, CIA's Inspector General, and by the staff of the President's Board.

Admiral Conolly expressed the view that the entire area under discussion is one which properly should be assigned to the Director of Central Intelligence since it is inherent in his assigned responsibilities.

General Hull concurred in Admiral Conolly's statement, stating the view that the matter falls within the jurisdiction of the Director of Central Intelligence, as distinguished from his function as head of the Central Intelligence Agency.

At this point the Director of Central Intelligence read applicable sections of CIA's organic act which states: "For the purpose of coordinating the intelligence activities of the several Government departments and agencies in the interest of national security, it shall be the duty of the Agency, under the direction of the National Security Council to advise the National Security Council in such intelligence activities . . . to make recommendations to the National Security Council for the coordination of such intelligence activities . . . to correlate and evaluate intelligence relating to the national security . . . provided that the departments and other agencies of the Government shall continue to collect, evaluate, correlate, and disseminate departmental intelligence . . ."

Mr. Dulles noted that, whether or not it is attributable to poor draftsmanship, the Act assigns the aforementioned duty to CIA rather than to the Director of Central Intelligence. On this last quoted point, Mr. Dulles noted that the reference to "departmental intelligence" causes considerable difficulty since its meaning is obscure to say the least.

Mr. Lovett agreed fully with the last comment by the Director of Central Intelligence, noting that this particular language encourages the vested interests of the three military services and, as a result, it adds to the problem of unnecessary duplication of effort in the foreign intelligence field.

Approved For Release 2003/09/29 : CIA-RDP86B00269R000200060030-0

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Mr. Stans suggested in the light of the discussion that a group be created to be headed by CIA and to include representatives of Defense, NSC, the Bureau of the Budget, and of the President's Board, if the Board so wishes. He thought at some point it might be appropriate to also include State representation.

Secretary Gates agreed with this suggestion and Mr. Gordon Gray indicated it would be appropriate that the suggestion be mentioned to the President in terms of obtaining the latter's approval therefor.

Secretary Gates suggested that the fact that such a study was being made should be kept quiet, and Mr. Ryerson agreed with emphasis that no public reference should be made to it.

Mr. Dulles suggested this should be a continuing study.

Governor Darden expressed the view that the President would be brought under great fire if this matter was not correctly handled, and particularly if extreme cuts were arbitrarily made at this time. He thought under the proposed arrangement the Board would be able to assist the President based on its studies as well as the study under discussion so that he could direct cuts where timely and appropriate.

Governor Darden stated one thing that troubled him at times was the integrity and accuracy of some of the intelligence estimates. He referred, by way of example, to estimates which were made during World War II as to the size of Hitler's submarine fleet. He said when the shouting was all over it was determined Hitler did not have 25% of the submarine forces which our intelligence attributed to him. He wondered, accordingly, and again only by way of example, if our present estimates of the Soviet submarine fleet are accurate.

Secretary Gates responded that our present estimates are very accurate and are based upon good hard intelligence. He added, however, that there was no question but that the Services tend to use estimates to further their budgetary interests.

Governor Darden concluded the discussion on this matter by stating that his only point was to make sure the estimates which are made in all of these critical areas are just as accurate as possible.

Mr. Lovett stated that virtually all of the twenty-eight major recommendations which have been made by the Board to date have been treated with promptness by the President, and have been afforded studied attention by the agencies concerned. He said many of these recommendations still have current application since they relate to the continuing problems of duplication and overlap. He thought the Board should continue on independently with its established courses of action; that someone on behalf of the Board should keep abreast of this new study group's terms of reference and should, from time to time, look in on its procedures and activities, but that it would be inappropriate for the Board to accept formal membership on the study group.

Approved For Release 2003/09/29 : CIA-RDP86B00269R000200060030-0

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Mr. Stans stated at this point that he wished to invite the Board to participate to any extent it wished from the preparation of the plan for initiating the study through the completion of the report on the study. He invited representatives of the Board to look in on the meetings of the study group at any point it wished, and he assured the Board that any reports resulting from the study would be available for Board scrutiny.

Governor Dardon expressed the view that it would be a frightful imposition on the Director of Central Intelligence to ask him to personally head the study. To this Mr. Dulles stated he would have to delegate this task to an appropriate officer in his organization. Mr. Dulles added he was not seeking this assignment for himself or for anyone in the organization, but if the decision to go ahead with the study was made, he would of course support it.

General Hull stated his agreement that it would be necessary for Mr. Dulles to delegate this assignment to an officer on his staff. He agreed with Mr. Lovett's suggestion regarding Mr. Kirkpatrick, and he added that he did not know a more competent, objective, courageous or experienced officer who might be designated to head such a study group.

Mr. Dulles indicated Mr. Kirkpatrick had left the city only yesterday for a six weeks' review of CIA activities overseas. To this Mr. Stants inquired whether it would be necessary to wait for Mr. Kirkpatrick's return before initiating the study. He inquired if someone could not act for Mr. Kirkpatrick in the interim, and Mr. Dulles replied in the affirmative.

General Hull stated he knew the Board wished to be helpful in this matter, but he did not think any representative of the Board should sit in as a formal member of the study group.

Mr. Stans suggested that, when it is prepared, the Board may wish to review the plan of action or terms of reference which are prepared as a guide to the study group. General Hull replied by all means the Board would wish to see such a plan. At this point Mr. Gray suggested that when the Board receives such a plan, it would not be necessary to submit formal comments thereon, rather the Board might convey its comments informally.

Mr. Lovett referred to the very considerable background and body of experience which the Board has accumulated, particularly in the staff of the Board, and he thought the same could be utilized to advantage in this study, although neither Board members or staff personnel should accept formal membership on the study group.

Mr. Stans assured the Board this study group would wish to cooperate fully with the Board and in turn, on behalf of the study group, he entered a plea for support of the study group by the President's Foreign Intelligence Board.

Approved For Release 2003/09/29 : CIA-RDP86B00269R000200060030-0

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Mr. Dulles stated he believed the success of the study group would depend in some measure on the selection by Secretary Gates of an able, senior military official to represent the Department of Defense. Secretary Gates replied he has such a man in mind.

Mr. Gray stated he would name Mr. James S. Lay, Jr., to represent him on the group. Mr. Stans then designated Mr. Robert Macy as the Bureau of the Budget representative, and Mr. Dulles designated Mr. Kirkpatrick as his representative. Mr. Stans stated at a later time State would be brought into the study. (Just prior to this point in the meeting it was necessary for Secretary Gates to depart; presumably he will name his designee at a later date.)

J. Patrick Coyne

ADDENDUM:

At an executive session of the Board, held later on May 6, the Board instructed its Staff Director to: (a) keep in close touch with all developments involving the proposed study, including the drafting of its terms of reference and its general conduct as it progresses; (b) refrain from actually participating as a member of the study group, feeling free at the same time to sit in on particular briefings or other developments of interest; (c) make whatever arrangements he deems appropriate to insure that he is informed in timely fashion of any activity contemplated by the study group; (d) cooperate with the study group in a manner consistent with the foregoing; (e) keep the Board currently advised as to all significant developments pertaining to the proposed study.

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Approved For Release 2003/09/29 : CIA-RDP86B00269R000200060030-0

Approved For Release 2003/09/29 : CIA-RDP86B00269R000200060030-0

21 May 60

CENTRAL INTELLIGENCE AGENCY

OFFICE OF THE DEPUTY DIRECTOR

DCI:

Pat Coyne gave me these notes for Eyes Only:

Yourself
Kirkpatrick
+ me.

Suggest you return to me with any corrections + I'll hold for Kirk.

CP C

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BY HAND -- DIRECT

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ROUTING

TO	NAME AND ADDRESS	INITIALS	DATE
1.	MR. KIRKPATRICK		
2.	DDCI		
3.			
4.			
5.			
6.			
7.			
	RETURN TO SENDER		

	ACTION		CONCURRENCE		INFORMATION
	COMMENT		FILE	XX	SIGNATURE

REMARKS

Please keep this EYES ONLY.

FROM

NAME AND ADDRESS

DEPUTY DIRECTOR

PHONE NO.

DATE

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FORM 1-59 1582

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Standard Form 63
Jan. 1952

U. S. GOVERNMENT
MEMORANDUM OF CALL

Date	Time
2/17	

TO—

☐ YOU WERE CALLED BY— ☐ YOU WERE VISITED BY—

TELEPHONE:	Number or code	Extension

☐ PLEASE CALL ☐ WAITING TO SEE YOU
☐ WILL CALL AGAIN ☐ WISHES AN APPOINTMENT
☐ RETURNING YOUR CALL

LEFT THIS MESSAGE:

To – General Cabell –
per conversation – referred
informally for your background
info + that of the DCI + the IG.

Received by— Pat Coyne

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