

## PART FOUR

### THE RECENT PAST, 1971-1975

#### INTRODUCTION

The years 1971 to 1975 were a period of transition and abrupt change for the CIA. The administrations of DCIs James R. Schlesinger and William E. Colby both reflected and contributed to shifts in the CIA's emphases. Spurred on by increased attention from the Executive branch, intelligence production, the problems of the community, and internal management changes became the primary concerns of the DCIs. Essentially, the diminishing scale of covert action that had begun in the late 1960's and continued in this period both required and provided the opportunity for a redefinition in the Agency's priorities.

The decline in covert action was indicative of the broad changes that had evolved in American foreign policy by the early 1970's. Détente rather than cold war characterized the U.S. posture toward the Soviet Union, and retrenchment rather than intervention characterized U.S. foreign policy generally. The cumulative dissension over Vietnam, the Congress' more assertive role in foreign policy, and shifts in the international power structure eroded the assumptions on which U.S. foreign policy had been based. The consensus that had existed among the press, the informed public, the Congress, and the Executive branch and that had both supported and protected the CIA broke down. As conflicting policy preferences emerged and as misconduct in the Executive branch was revealed, the CIA, once exempt from public examination, became subject to close scrutiny. The Congress and even the public began to seek a more active role in the activities that Presidents and the Agency had for so long controlled.

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Foreign affairs were a continuing priority in the Nixon Administration. Until 1971, Vietnam absorbed most of the time and attention of the President and his Special Assistant for National Security Affairs, Henry Kissinger. After 1971, both turned to a redefinition of United States foreign policy. Sharing a global view of U.S. policy, the two men sought to restructure relationships with the Soviet Union and the People's Republic of China. It was Kissinger rather than Nixon who maintained regular contact with DCIs Helms and Colby, and in effect, it was Kissinger rather than the DCIs who served as Nixon's senior intelligence advisor. Under Kissinger's direction the NSC became an intelligence and policy staff, providing analysis on such key issues as missile programs. The staff's small size and close proximity to policymakers allowed it to calibrate the needs of senior officials in a way that made their information more timely and useful than comparable CIA analyses.

Both Kissinger's and Nixon's preferences for working with (and often independently of) small, tightly managed staffs is well known. However, both were genuinely interested in obtaining more and better quality intelligence from the CIA. In December 1970 Nixon requested a study of the intelligence community. Executed by James Schlesinger, then Assistant Director of the Bureau of the Budget, the study resulted in a Presidential Directive of November 5, 1971, assigning the DCI formal responsibility for review of the intelligence community budget.<sup>1</sup> The intention was that the DCI would advise the President on budgetary allocations by serving in a last review capacity. As a result of the Directive, the Intelligence Resources Advisory Committee (IRAC) was established to advise the DCI in preparing a consolidated intelligence budget for the President.<sup>1a</sup>

The effort faltered for two reasons. First, Nixon chose not to request Congressional enactment of revised legislation on the role of the DCI. This decision inherently limited the DCI's ability to exert control over the intelligence components. The DCI was once again left to arbitrate with no real statutory authority. Second, the implementation of the Directive was less energetic and decisive than it might have been. Helms did not attempt to make recommendations on budgetary allocations and instead, presented the President with the agreed views of the intelligence components. Furthermore, within the Agency the mechanism for assisting the DCI in community matters was weak. Early in 1972 Helms established the Intelligence Community (IC) staff as a replacement for the NIPE staff to assist in community matters. Between the time of the decision to create such a staff and its actual organization, the number of personnel assigned was halved. Moreover, the staff itself was composed only of CIA employees rather than community-wide representatives. This arrangement limited the staff's accessibility to other components of the community, and was a contributing factor to the disappointing results of the Nixon Directive.<sup>1b</sup>

### *1. The Directors of Central Intelligence, 1973-1975*

James Schlesinger's tenure as DCI from February to July 1973 was brief but telling. An economist by training, Schlesinger brought an extensive background in national security affairs to his job as DCI. He came to the position with definite ideas on the management of the community and on improving the quality of intelligence.

He began his career as a member of the University of Virginia faculty. From 1963 to 1969 he served as Director of Strategic Studies at the Rand Corporation. He was appointed Assistant Director of the Bureau of the Budget in 1969 and continued as Assistant Director during the transition to the Office of Management and Budget. In 1971 President Nixon named him Chairman of the Atomic Energy Commission. He left that position to become DCI. Schlesinger had a clear sense of the purposes intelligence should serve, and during his six-

<sup>1</sup> The directive was addressed to the Secretaries of State, Defense, and Treasury, the Attorney General, the Director, Office of Science and Technology, the Chairman of the Joint Chiefs of Staff, PFIAB, and the Atomic Energy Commission.

<sup>1a</sup> IRAC members included representatives from the Departments of State, Defense, OMB, and CIA.

<sup>1b</sup> For chart showing CIA organization as of 1972, see p. 101.

month term he embarked on a series of changes that promised to alter the Agency's and the DCI's existing priorities.

William E. Colby succeeded Schlesinger. An OSS veteran and career DDP officer, Colby's background made him seem of the traditional operations school in the Agency. His overseas assignments included positions in Rome, Stockholm and Saigon, where he was Chief of Station. Yet Colby brought an Agency and community orientation to his term as DCI that was uncommon for DDP careerists. Colby saw himself first as a manager—for both the Agency and the community—rather than an operator.

His position as Executive Director under Schlesinger exposed him to Schlesinger's ideas of reform and reinforced his own disposition for innovation. Well before public disclosures and allegations regarding CIA activities, Colby was committed to reconciling the Agency's priorities with changing public attitudes and expectations. Soon after his appointment, the Agency became the focus of public and Congressional inquiries, and most of the DCI's time was absorbed in responding to these developments.

## *II. Attempts at Redirection*

### *A. Internal Changes*

It is likely that had Schlesinger remained as DCI, he would have assumed a vigorous role in the community and would have attempted to exercise the DCI's latitude in coordinating the activities of the departmental intelligence services. Schlesinger's overall objectives were to maximize his role as Director of Central Intelligence rather than as head of the Agency and to improve the quality of the intelligence product.

To strengthen efforts at better management Schlesinger altered the composition of the IC Staff by increasing the number of non-Agency personnel. In this way he hoped to facilitate the Staff's contacts with the other components of the community.

Schlesinger felt strongly that the Agency was too large. On the operations side, he believed the DDO<sup>2</sup> was overstaffed in proportion to the needs of existing activities. In the area of intelligence production he identified size as impeding the ability of analysts to interact with policymakers. Within six months he reduced personnel by 7 percent—with most of the cuts occurring in the DDO.

Under Colby attempts at innovation continued. Consistent with his management orientation, Colby attempted to alter existing patterns of decisionmaking within the Agency, specifically in the DDO and the Office of National Estimates. The DDO staff structure had created enormous problems of competing claims on operational areas and had fostered the development of small "duchies."

The counterintelligence function had become a separate entity, administered independently of the divisions and controlled by a small group of officers. Under this arrangement counterintelligence was not an integrated element in the Agency's clandestine capability. By breaking down the exclusive jurisdiction of the staff, Colby attempted to

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<sup>2</sup> Schlesinger changed the name of the Clandestine Service from the Directorate for Plans to the Directorate for Operations.

incorporate counterintelligence into the day-to-day operations of the geographical divisions.

Colby sought to force the DDO to interact with other elements of the Agency. He supported the transfer of the Technical Services Division (TSD) from the DDO to the DDS&T. At the time of the creation of the DDS&T senior officials in the DDO (then DDP) had opposed the transfer of TSD to the new Directorate. That opposition continued. However, in 1973 Colby ordered the transfer. In addition to achieving management consolidation in the area of technology, Colby was attempting to break down the DDO's insularity.

Colby's enactment of the system of Management by Objectives (MBO) in 1973 tried to alter DDO administrative patterns in another way. The MBO system was instituted throughout the Agency, but it potentially affected the DDO the most by attempting to replace the project-based system with specific program objectives against which projects were to be developed. Under MBO, related projects are aggregated into "programs" aimed at a policy objective. As such, the system is primarily a means of evaluation to measure performance against stated objectives. Although the DDO directive establishing MBO in January 1974 ordered the elimination of the project system for purposes of planning, projects remain the basic units for approval procedures and for budgeting at the station and division levels. Thus, the internal demand created by the project system remains. MBO was not intended to rectify the incentives for the generation of projects, and has not succeeded in replacing the project system administratively. The nature of DDO operations makes it difficult to quantify results and therefore limits the utility of MBO. For example, recruitment of three agents over a given period may result in little worthwhile information, while a single agent may produce valuable results.

The changes that occurred on the intelligence side were at least in part a response to existing dissatisfaction with the intelligence product at the policymaking level. The Board of National Estimates had become increasingly insulated from the policymaking process. In 1950 Langer, Smith and Jackson had established the Board with the assumption that senior experts would serve as reviewers for estimates drafted by the ONE staff. Over time the composition of the Board had changed considerably. Rather than continuing to draw on individuals from outside the Agency, the Board became a source of senior staff positions for DDI careerists themselves. Promotion to the Board became the capstone to a successful DDI analyst's career. This meant that the Office and the Board became insular and lacked the benefit of views independent of the DDI intelligence process.

The Office and the Board had become more narrowly focused in other ways as well. ONE had a staff of specialists in geographic and functional areas. In the process of drafting estimates ONE analysts often failed to interact with other DDI experts in the same fields. As intelligence analysis became more sophisticated and specialized, particularly in the economic and strategic areas, Board members' expertise often did not equal the existing level of analysis. Consequently, the Board could not fulfill its function of providing review and criticism. Overall, the intelligence product itself suffered. With little direct contact between ONE and senior policymakers, there was no

continuing link between the NIEs and the specific intelligence needs of United States officials. On occasion, Special NIEs (SNIEs) responded to questions specifically posed by policymakers, e.g., if the United States does such and such in Vietnam will the Chinese intervene. Even these documents, however, were seen by policymakers as seldom meeting their real needs. NIEs were defined and produced by a small group of individuals whose perspective was limited by both their lack of access to consumers and by their inbred drafting process.

After his appointment in 1973, when approximately half the Board positions were vacant, Colby abolished ONE and the Board and established in their place the National Intelligence Officers (NIOs). A group of eleven senior specialists in functional and geographic areas, the NIOs are responsible for intelligence collection and production in their designated fields. The senior NIO reports to the DCI. The NIOs serve two specific functions. First, they are the DCI's senior substantive staff officers in their designated specialties. Second, they are coordinators of the intelligence production machinery and are to make recommendations to the DCI on intelligence priorities and the allocation of resources within the community. Their access is community-wide including the DDO. Their job is not to serve as drafters of national intelligence estimates but to force the community's intelligence machinery to make judgments by assigning the drafting of estimates to analysts. They do not collectively review estimates in the way that the Board did. Essentially, they are intended to serve as managers and facilitators of information.

Colby was responsible for another management innovation, the Key Intelligence Questions (KIQs). A major problem in the DCI's fulfillment of his role as nominal leader of the intelligence community has been his inability to establish community-wide priorities for the collection and production of national intelligence. As DCI Colby addressed the problem in managerial terms and defined a set of Key Intelligence Questions (KIQs). By establishing specific categories of information needs and by utilizing the NIOs to activate the community's responses, Colby hoped to encourage better policy-related performance. A year after issuance of the KIQs, the NIOs and the Director evaluated the community's responsiveness to the guidelines. The KIQ system has not altered the agencies' independent determination of intelligence collection and production priorities. This applies to the CIA as well as to DIA and the service intelligence agencies.<sup>3</sup> Although the limitations of the KIQ system are a commentary on the DCI's limited authority with regard to the Departments, the system also represents a larger misconception. The notion that control can be imposed from the top over an organization without some effort to alter internal patterns and incentives is ill-founded.

These changes were accompanied by shifts in emphasis in the DDO and the DDI. In the Clandestine Service the scale of covert operations was reduced, and by 1972 the Agency's paramilitary program in Southeast Asia was dissolved. Yet, the overall reduction did not affect the fundamental assumptions, organization, and incentives governing

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<sup>3</sup> NSA appears to have integrated its requirements more closely with the KIQ system.

the DDO. The rationale remained the same, and the operational capability was intact—as CIA activities in Chile illustrated. Presidents could and did continue to utilize the Agency's covert action capability. CIA operations in Chile included a wide range of the Agency's clandestine repertoire—political action, propaganda, economic activities, labor operations, and liaison relations. In clandestine collection Soviet strategic capabilities remain the first priority. Responding to recent international developments, the DDO expanded its collection activities in other areas, notably international narcotics traffic—with considerable success.

In the DDI, economic intelligence continued to assume increased importance and to take on new dimensions. In sharp contrast to the British intelligence service, which has for generations emphasized international economics, the DDI only recently has begun developing a capability in such areas as international finance, the gold market, and international economic movements. A major impetus for this change came in August 1971 with the U.S. balance of payments crisis. Since that time, the demands for international economic intelligence have escalated dramatically.

In 1974 the Office of Political Research (OPR) was established to provide in-depth foreign political intelligence analysis. OPR is the smallest of the DDI Offices. For the most part, OPR analysts are insulated from day-to-day requests to allow them to concentrate on larger research projects. The Office's creation represented recognition of the need for long-term political research, which was not being fulfilled in the existing DDI structure.<sup>4</sup>

### *B. Outside Review*

Increased Congressional interest in the CIA's intelligence analysis continued in this period. However, oversight of the CIA did not keep abreast of demands for the intelligence product. In 1971 the CIA subcommittee of the Senate Armed Services Committee did not hold one formal meeting to discuss CIA activity; it met only once in 1972 and 1973. One-to-one briefings between the DCI and the senior members continued to characterize the arrangements for Congressional review.

In 1973 Representative Lucien Nedzi made this comment on CIA-Congressional relations:

Indeed, it is a bit unsettling that 26 years after the passage of the National Security Act the scope of real Congressional oversight, as opposed to nominal Congressional oversight, remains unformed and uncertain.

Nedzi was reflecting the fact that no formalized reporting requirements existed between the CIA and the Congress, particularly with regard to the initiation of covert action. Judgment and informal arrangements dictated the procedures.

Two changes in this period signalled growing Congressional concern with the oversight function. Yet the changes did not alter the fundamental relationship between the Agency and the Congress, which continued to be one of mutual accommodation. Although both the DCI and the Congressional members who were involved in the process appear to have been satisfied with the frequency of exchange and quality of information provided, in 1973 unrest developed among younger members of the House Armed Services Committee who de-

<sup>4</sup> For chart showing CIA organization as of 1975, see p. 102.

manded reform in intelligence oversight. Committee Chairman Edward Hébert responded by appointing Nedzi to chair the CIA subcommittee, thus replacing Hébert himself.

In 1975 the Hughes-Ryan Amendment to the Foreign Assistance Act formalized the reporting requirements on covert action. Fundamentally, it increased the number of committees to be informed of covert operations by requiring that the Senate Foreign Relations Committee and the House International Affairs Committee receive appropriate briefings in addition to the four CIA subcommittees. The Amendment did not provide for prior notification or approval of covert action, and as such, still left Congress in the role of passive recipient of information.

The Hughes-Ryan Amendment also altered procedures in the Executive branch somewhat. The Amendment specified that the President himself must inform the Congress of decisions to implement covert operations and must certify that the program(s) are essential to U.S. policy. Until 1974, 40 Committee decisions on covert action were not always referred to the President. Only if there was a disagreement within the Committee or if a member of the Committee thought the proposed operation was important enough or sensitive enough would the President become involved. Once again, these ambiguous arrangements were intentional, designed to protect the President and to blur accountability. The Amendment forced the President both to be informed himself and to inform the legislative branch of covert activities. Congress' action, though limited, reflected the growing momentum for change in the standards of conduct and procedures governing U.S. foreign intelligence activities.

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Public disclosures between 1973 and 1974 of alleged CIA domestic programs had contributed to Congress' demand for broader and more regularized participation in decisions regarding CIA activities. Soon after Schlesinger's appointment the Watergate scandal exposed the Agency to charges of involvement with Howard Hunt, former CIA employee. As a result of repeated allegations concerning Agency acquiescence in White House demands related to Watergate revelations, Schlesinger requested that all Agency employees report any past or existing illegal activities to him or the Agency Inspector General. In response, Agency employees presented their knowledge and recollections of 693 possible CIA violations of internal directives. Known as the "Family Jewels," the file was reviewed by the Office of the Inspector General and by then DCI William Colby.

The review revealed the Agency's extensive involvement in domestic intelligence activities—in violation of its foreign intelligence charter. In response to requests from the Federal Bureau of Investigation and from Presidents Johnson and Nixon the Agency had participated in several programs designed to collect intelligence on domestic political groups. Operation CHAOS, whose purpose was to determine whether or not domestic political dissidents, including students, were receiving foreign support, resulted in the Agency's collection of information on thousands of Americans. The Agency's mail opening program, conducted in partial cooperation with the FBI, was directed

against political activists, protest organizations, and subversive and extremist groups in the United States. Although the program had begun in the early 1950's as a means of monitoring foreign intelligence activities in the United States, by the late 1960's it had taken on the additional purpose of domestic surveillance. Following the internal Agency review, the mail opening program and Operation CHAOS were discontinued.

In December 1974 newspaper disclosures made further allegations regarding CIA domestic activities. What had been consensual acceptance of the CIA's right to secrecy in the interests of national security was rejected. The Agency's vulnerability to these revelations was indicative of the degree to which American foreign policy and the institutional framework that supported that policy were undergoing redefinition. The closed system that had defined and controlled U.S. intelligence activities and that had left decisions in the hands of a small group of individuals began to break down. The assumptions, procedures and actions that had previously enjoyed unquestionable acceptance began to be reevaluated.