

## THE CIA AND ITS PROPRIETARY NETWORKS

An understanding of the role of the CIA and of its numerous proprietary companies can not be obtained from a simple study of those proprietaries alone. The CIA's proprietaries are deeply involved with the Department of Defense. They are involved with other departments of the Government and they are involved with many other governments.

In some cases the relationship is very complex. The CIA may have a military unit which is a cover unit and that unit may deal with a proprietary which in turn will deal with some legitimate company. The legitimate company will think that it is dealing with a private firm or with the DOD directly where a military contract is involved..

In another case a CIA proprietary may gain a contract from the DOD and will utilize that contract to service the military and at the same time to service other companies. In so doing the private companies will not know that they are dealing with the CIA and not the DOD.

In another case a CIA proprietary may use its CIA connection to get something from the DOD which other companies could not get, thereby gaining a competitive advantage over the others. In so doing this device may be used-intentionally or unintentionally-to destroy the competition.

And then in certain rare cases, but in some most important cases, an outside company may learn that it has been outbid by a proprietary. It may learn this through its own devices and contacts or it may acquire such knowledge from a lawyer who has had special knowledge of such activity.

In that case it may inform the DOD that if it does not get an equal or better contract it will blow the whistle.

This type of "National Security" blackmail is most effective.

The outside company will get a contract and then may continue to use that kind of blackmail year after year.

CIA's proprietary business is very large. Some of its proprietaries' activities are concealed deeply within major companies, which cover for the CIA and in return get favors and inside assistance. This could well be the subject of a complete study. Even beyond the search into proprietaries the study could look at what the CIA does with the rather large sums of money which it earns from these proprietaries. The CIA uses a "street" name and buys and sells as other big investors do to manage these vast funds. The street name most commonly associated with the CIA is "Suydam". Funds of this nature are of course not Federal Funds and are not subject to the usual controls. Huge sums arise from the sale of proprietaries. We do not know where they go, nor do we know if the sale means a bona fide separation from the CIA or just another cover arrangement. The CIA depends upon some of these funds for "laundered" money.

Few people have ever had a real opportunity to understand how the CIA utilizes money. The CIA gets "what money will buy" many times without the actual expenditure of funds. It makes liberal use of the provisions of the National Economy Act of 1932 as amended in order to acquire goods and services from other agencies at no cost or at nominal cost. The "horizontal" movement of money where the CIA is involved is a little known specialty.

In order to provide some background for all of this it may be well worth while to provide some background about the DOD/CIA relationship and its role within the government, industry and foreign affairs.

Before 1955 the U.S. Air Force had a policy for providing support of the clandestine activities of the CIA; but it was relatively informal. It was based upon a letter: coded DAF 53. In August of 1955 I was directed by the Director of Plans, Hq USAF to assemble all pertinent files and records and to draft a formal set of policy papers for the special support of the clandestine activity of the CIA. I had participated in clandestine

certain activities in Saudi Arabia, Russia, Turkey and had been at the Cairo and Teheran Conferences. During the Korean War period I was the Commander of an Air Transport unit which was responsible for certain operations throughout South Asia among them providing support for the CIA in India, Thailand, Vietnam, the Philippines and Okinawa. I had background for this special work before 1955.

I was able to assemble a rather voluminous file dating from 1946 and 1947 through 1955. Some of these papers were in the handwriting of General Vandenberg who had been Chief of Staff of the Air Force and who had been the Director of the Central Intelligence Group before the creation of the CIA. Other papers were the original NSCID's dating back to the forties and by far the most important papers were the Report to President Truman on the CIA, dated Jan 1, 1949, made by Allen W. Dulles, William H. Jackson and Mathias Correa. Later directives were some in the handwriting of President Eisenhower.

One of the most pertinent of these papers was a long letter directive signed by the then Secretary of Defense Louis Johnson, in 1949 which established DOD policy for the operational and logistics support of the clandestine activity of the CIA. (NOTE: This use of words is to differentiate the clandestine operations of the CIA from its Intelligence mission which was not given this special status.) The principle point of the Johnson directive was the DOD would do everything possible to support the CIA but only after it has been ascertained without doubt that approval for each project had been granted by the NSC and then only after the CIA had agreed to reimburse the DOD for all out-of-pocket costs incident to such support. It also authorized elaborate personnel support of the CIA on an assigned and attached basis.

National policy required that no clandestine operation would ever be undertaken which could not be plausibly disclaimed by the U.S. government in the event of failure or compromise. As a result all clandestine operations were designed to be small,

very closely held and whenever possible, one-time.

Needless to say, although my visible role was to provide military support for the clandestine operations of the CIA, my real role was to keep the military informed of what was being done in this rarified atmosphere, its cost and to emphasize this requirement for the ability to plausibly disclaim any operation which involved military support---at all times.

With all of this material and with the assistance of selected officials I was able to prepare a draft for support activities which was ready for Air Staff coordination. The report was about 50-60 pages in length and was coded: TAB-6. It was coordinated throughout the Air Force in the States and overseas and in addition to each Commanding General one other officer was designate to handle "TAB-6" matters. General Thomas D. White was Chief of Staff of the USAF at that time and my boss was Gen Richard Lindsay.

When the Air Force policy had been made official, it was arranged for me to meet with Allen Dulles and his Deputy, General C.P. Cabell. They arranged for me to have a very thorough and continuing briefing on all CIA matters involved. The CIA was pleased with this policy and Mr Dulles suggested that there be a single "Focal Point" office on the Air Staff. This was my office and I was its chief from 1955 through 1960.

In 1956 Allen Dulles arranged for me to travel around the world to visit a considerable number of his overseas offices in the company of one of his officials. This was my first official visit to a number of these places and I went back to many of them during the next eight years.

In 1960, at the request of the Secretary of Defense, Thomas Gates I was transferred from the Air Force to the Office of Special Operations. This senior office was responsible for all contact between the CIA and DOD, among other things. At that level I performed much the same duties and functions there as I had done in the Air Force only then it was for all services.

After the Kennedy inauguration I continued to work in the office of the Secretary of Defense, Bob McNamara for about a year until General Earle Wheeler, who was then the Director of the Joint Staff suggested that the military support of the CIA might best be placed on the Joint Staff level. This request was granted and in 1962 I was transferred to the Joint Staff and provided with a Navy and Army counterpart along with secretarial assistance.

My first duty there was to draw up a Joint Staff policy paper very much like the one which I had created for the Air Force. This was done and it was approved by the Chiefs of Staff and officially "Red Striped". An office similar to mine in the Joint Staff was established in most major commands overseas and in the Army, Navy and Air Force.

In the nine years which this period spanned many of the things which have now become quite well known as "CIA activities", meaning clandestine operations rather than intelligence chores, took place. For example, the very first meeting which I attended with CIA officials in 1955 involved the origins of the vast P2V-7 program which became a world wide ELINT, radar and surveillance project. The Indonesian project, Tibetan programs, the Bay of Pigs program and many others all got their first military support from my office. Gradually a system developed which resulted in the DOD being--in effect--a proprietary partner of the CIA.

My office processed and supported the assignment or attachment of thousands of military personnel to the agency and in support of the agency. It established and supported more than one thousand military cover units which were created for the sole purpose of providing cover for the CIA.

This became a particularly important activity. For example private companies which did business with these "military" units thought they were dealing with the military when in reality they were dealing with the CIA. In some cases this led to major contracts and in certain cases these contracts were let without the customary and required bidding or amending procedures normal to the DOD system. Of course, in keeping with the old directive promulgated by Sec Johnson and up-dated thereafter, the military

sought reimbursement for all funds expended. But in some cases due to security precautions they did not know what had taken place and in others they could not take action without exposing the CIA. Some competitive, non-proprietary companies learned about this system and took advantage of it. They used this quiet undercover relationship for leverage. As small companies learned this, larger ones did and this got to be quite widespread and led to a most unique method of procurement.

In another twist of this process the CIA would put its own agents into "military" units and in some cases would have them recalled to active duty so that they could serve in uniform with rank. Then the CIA would ask the Defense Dept to reassign these people to other jobs with other federal departments and agencies or even out into industry. Obviously the gaining organization did not know that the DOD was serving as a proprietary of the CIA. This led to many complicated situations especially when a CIA agent, wearing the uniform of the armed forces was given a responsible job in the FAA or other such policy making organization.

This got even more deep-rooted after the original "deep cover" assignee was replaced and another took his place. By that time no one would know that the original "slot" had been created for the CIA and the new incumbent would be completely unidentifiable to anyone as a CIA agent.

This required elaborate money arrangements which my office was responsible for arranging. The salary such persons drew from the military would be blanked and the man would turn in his military check. He would be paid by the CIA and the military would be reimbursed--on paper to keep the record clear. Then it became more complicated when the individual would travel on military orders and incur expenses against the DOD all over the world.

In many cases we would keep three files: the individual's, his CIA file and his military file. We would do our best to keep them all up to date and to plug the holes.

With all this activity it was inevitable that my office would become increasingly involved in the CIA proprietary program. We handled hundreds of contracts with companies of all kinds, with aircraft companies, with air lines, with maintenance organizations, with brokers and universities, with sub-contractors and with innumerable small deals of every kind. Out of all this came the "Air America" enterprises. (Air America will be used here generically. Actually there is a whole hierarchy of companies under the Pacific Corp and other arrangements.)

Air America is not unknown; yet there are perhaps no more than two or three people who really know how extensive what we shall call "Air America" is and how far reaching its activity. At one time we had records in my office, and I am sure they were not comprehensive, of more than 100 organizations which were in some way or other related to Air America. It may be said that Air America, in total was one of the largest airlines and air support organizations in the world. At one time Air America had <sup>TWO</sup> base facilities in the Far East which had more than 4,000 men on each one. Can any other airline say that?

There are Air America affiliates all over the world. Air America works in Europe, the Far East and the Middle East. Air America crews and aircraft played a significant role in the Bay of Pigs program and in such things as the Indonesian and Tibetan projects.

Air America had the capability to maintain aircraft of all kinds and more than that it could make aircraft parts for most of its own aircraft. It had the design drawings required to make all parts of such aircraft as DC-6's. It could build complete aircraft in order that it could create a totally sanitized airplane with no serial numbers, anywhere in its entire structure---not just the tail number, for operational purposes. Air America was an elaborate corporation. The best in its business in the world. It would surprise this committee to have a listing

of how Air America acquired all of its aircraft and then for this committee to be able to go over that "sanitized" list to find out how Air America actually obtained its aircraft and its other capital assets. It is significant to point out that these advantages which accrued to Air America gave it an enviable competitive edge in the airline, air maintenance and even in the manufacturing and sub-component business among its peers.

There came a time when the Pacific Corporation, Air America's gilt-edged parent, was being formed that the CIA wanted to regularize and formalize many of its activities. One of the things they were greatly interested in was the process of bidding for military contracts both airlift and maintenance. The president of Air America and I worked together for quite a period of time on the draft of an important letter which was to be signed by Allen Dulles and addressed to the Secretary of the Air Force with the suggestion that Air America be informed of every request for bid for either airlift or air maintenance contracts and that Air America be carefully considered when such bids were being awarded. We were careful, on both sides, to see that the letter was not a firm commitment and the Air Force was careful to see that no explicit commitment was inferred.

After careful preparation the letter was signed by Allen Dulles and delivered to the Secretary via the office of the Deputy Assistant Secretary for Civil Aviation. (It should be noted that the office of that official was Pentagon Room number 4E871 and that the office of the Secretary of the Air Force is also listed as 4E871. No other such official had the same room number as the Secretary. Actually that room is the office of the Secretary's receptionist as was physically across the hall from the Secretary. It also happened that the incumbent of that office was an official of the CIA.)

Because I had worked on the development of this letter I was directed to prepare a reply for the Secretary's signature. In general the Secretary agreed with the suggestion from Allen



proprietaries with on-time information requisite to bidding on such contracts. Air America and other proprietaries received many important airlift and aircraft maintenance contracts even at a time when this meant omitting other small carriers from contracts which they might otherwise have expected to win. With the fulfillment of these contracts the CIA was able to make use of such flights for its own operational purposes and more importantly to give the appearance that Air America was a healthy and normal hard working airline among its competition.

In the Far East this close relationship blossomed into the period of the Vietnam War when Air America and its numberless affiliates received tremendous contracts involving them in all aspects of the war. But it was not always that way and on one conspicuous occasion our letter of agreement with Allen Dulles caused the Air Force some grief. During that particular period airlift contracts had reached a low ebb and there were very few up for bid in the Far East. In spite of this Air America won its bid. This caused some bitter complaints from the others. One in particular came to the Pentagon and requested a discussion with the Secretary. Failing success with that ploy the next step was to visit the law offices of a prominent firm across the river. Not long after that they both returned and some sort of agreement was reached. The "non-winner" obtained a contract for some airlift. This success did not go unnoticed nor did that device see its last implementation in the Pentagon. Like blackmail, it was so good it had to be repeated. Such were the vagaries of this type of under-the-cloak dealing.

I continued this unusual work which had begun in 1955  
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 = Dec 31, 1963. I had served through those formative years of the CIA under Allen Dulles and John McCone. I worked rather closely with Tom Gates and Bob McNamara and their immediate staffs. Many of the imponderables which we are trying to unravel and to understand today had their beginnings during that period.

It is quite futile to attempt such probing around in

the quagmire of that period, especially since it was a major part of the profession to obfuscate everything and everywhere as a matter of expertise. Men who might truthfully swear that they took part in such and such a mission would be wrong because they would have no way of knowing that the part of the mission they worked with was only the umbrella portion and that the men they trained and launched never were intended to go anywhere anyhow.

Even some who served with military units never knew that their units were really false and they were simply maintaining helicopters or keeping records for the CIA.

But there is a way to get to a full understanding of all of these things. The law of this country spells out in fine detail the duties and responsibilities of the CIA. All that is necessary is to ask the CIA what it has done in accordance with the law--a law which is ultimately uncomplicated for one who reads it with skill and care. And next it is simple to arrange with the CIA that it will be funded explicitly each year to do certain things of importance for this government and its welfare and that there will be money for those things and nothing else. That is the way these things can be operated. We did that in the DOD for those nine years and we knew what was going on. We ate a little crow from time to time; but at least we knew where the crow came from and whose it was.

I thank you.