
ANNUAL REPORT ON FY 1997 INTELLIGENCE COMMUNITY ACTIVITIES

Preface

This report responds to a Congressionally directed action contained in the Intelligence Authorization Act for Fiscal Year 1998. Referencing section 109 (as amended in 1996) of the National Security Act of 1947, the Act directs the President to submit an unclassified report "on the requirements of the United States for intelligence and the activities of the Intelligence Community." In keeping with this requirement, this report identifies areas where intelligence is required to meet the national security interests of the United States, and reflects the priorities established by the Administration for implementation by the Director of Central Intelligence for FY 1997. The report includes significant accomplishments as well as initiatives that are being undertaken to strengthen the Community's performance. A classified annex also will be provided to the Congress to supplement information contained in this unclassified report.

Introduction

Nineteen ninety-seven marked the 50th anniversary of the National Security Act that formally established a permanent intelligence structure. Designed to provide the United States with the best information available on the aims, intentions, and capabilities of other nations, the Intelligence Community has adapted to meet the changing needs of the President, his senior national security advisors, law enforcement officials, military commanders, and diplomats as they each faced new challenges to US interests.

During the 50th anniversary celebration of the CIA, President Clinton reiterated the importance of focusing our intelligence resources on the areas most critical to our national security—areas where we cannot afford to fail. He underscored his top intelligence priorities contained in Presidential Decision Directive-35: supporting our troops and operations; providing political, economic, and military intelligence on hostile countries; assisting policy efforts to verify arms control treaties and agreements; and protecting American citizens from new transnational threats such as drug traffickers, terrorists, organized criminals, and weapons of mass destruction (WMD).

The Director of Central Intelligence is charged with organizing and managing intelligence activities to address the priorities outlined by the President. His greatest challenge in 1997 was to focus the limited resources of the Intelligence Community where they could provide the greatest benefit. To this end, he

directed the Community to focus on the following key areas:

- The **Hard Target countries** - our most critical intelligence priorities;
- **Transnational issues** that endanger the lives of all Americans;
- **Economic crises** in foreign nations that can have far reaching consequences for the global economy;
- **Regional trouble spots** that could flare into conflict at any time; and
- **Humanitarian emergencies** that emerge rapidly and place heavy demands on US military and financial resources.

With the establishment of corporate boards comprising representatives from across the Community, technical, human and open source collection capabilities were brought together to address high-priority targets. Concerted attempts to improve the Community's interaction with its customers resulted in better understanding and refinement of intelligence requirements. A series of initiatives (several of which are described in the Management section near the end of this report) were begun that will improve resource management as well as language skills of Intelligence Community analysts.

Despite progress on many fronts, there is still much to be done. The Intelligence Community needs to continue to build synergy across disciplines, improve collection management, and reduce duplication where prudent. It needs to plan strategically for the technology challenges of the future. It needs to address challenges presented by increasing amounts of data and reform management processes to find and keep personnel with critical skills. New relationships must be forged with the private sector, with other government agencies, and with foreign partners-while at the same time increasing the Community's awareness of the counterintelligence risks of these new arrangements.

This Annual Report outlines the challenges that confronted the Intelligence Community in 1997 and the activities that enabled it to meet mission requirements. It highlights both intelligence accomplishments and as well as new and continuing challenges.

Hard Targets

Among the Community's toughest tasks is the need to monitor developments in and behavior of countries with global reach and import, and to penetrate closed societies that have interests and ambitions that could threaten our well-being. These countries include:

- **Russia**, which continues to suffer from serious social and economic difficulties including unbridled crime and corruption;

- **China**, a country intent on becoming a military and economic superpower in the next century;
- **Iraq**, which continues to threaten US forces, interests, and allies and persists in hiding suspected nuclear, chemical, and biological weapons production equipment and materiel from UN inspectors;
- **North Korea**, where a worsening economic and social situation has brought uncertainty to a state still focused on sustaining its military power; and
- **Iran**, where a struggle is underway between hard-line conservatives and a more moderate and popularly elected President.

The DCI formally established a process to increase the Community's collection and analysis capabilities against these difficult challenges. Over the past year, the Community's top experts on each country joined forces, developed collection plans, identified the most critical intelligence gaps, and developed strategies to close those gaps. Through such teamwork, intelligence customers gained important insights into the societies that pose the greatest threats to our own. As a consequence, the Intelligence Community is better prepared to support policymakers, military commanders, and law enforcement officials. The cross-discipline, cross-agency approach used in this process is likely to be the model for future efforts against difficult threats.

Transnational Issues

The dangers facing the United States today - ranging from chemical warfare to terrorism- are often linked and frequently span countries or continents. Dealing with them requires multiple intelligence disciplines, along with the combined tools of diplomacy, law enforcement, and at times, military force. Over the past year the Intelligence Community has improved collaboration among regional, functional, and technical intelligence experts by improving electronic connectivity, sharing databases, and providing more clearly defined requirements to intelligence collectors.

Arms Control

Arms Control treaties and agreements continue to be key elements of US foreign and defense policy. The treaties, through their implementing legislation and Presidential Directives, require the Intelligence Community to effectively monitor the assumed obligations of each treaty and agreement to ensure full compliance by foreign parties and to protect US national interests.

Provisions in arms control treaties and agreements that provide for on-site inspections and monitoring, data exchanges, notifications and other confidence building measures, continue to complement national technical means and make significant contributions to the transparency of each side's military forces and capabilities. This transparency builds national confidence and

reduces incentives for aggressive actions by the other side.

During 1997, the Intelligence Community continued its successful pursuit of enhancements to monitoring capabilities in order to meet the difficult challenges of the new arms control treaties, including the Chemical Weapons Convention, Comprehensive Test Ban Treaty, START III, and the ABM Theater Missile Defense Agreement. The changing focus of the new suite of arms control treaties to smaller and more easily hidden or disguised objects of monitoring, requires the development and use of new all-source collection capabilities as well as better management of the increasing demands on traditional national technical means that continue to provide key information on all arms control treaties and agreements.

Proliferation

The potential for proliferation of WMD and the possible use of a WMD device by a terrorist, criminal, or other lone individual or group makes it imperative that the Intelligence Community increase its ability to protect the people of the United States and our military forces. The Intelligence Community achieved some notable successes in 1997, but efforts to halt proliferation continue to be complicated by the fact that technologies for these weapons are readily available and that most WMD programs use materials that have civil as well as military applications. To counter the threat posed by these activities, several new programs are underway.

To enhance our focus on nonproliferation targets, especially chemical and biological weapons, the DCI strengthened the Community's Nonproliferation Center in 1997 by adding intelligence analysts and sharpening its focus on our most difficult proliferation challenges. The Community produced important analytical products on the threat from chemical weapons, WMD procurement efforts, and trends and dynamics of global nuclear and missile programs to support US policymaking.

The Intelligence Community also continued to provide support to specialized intelligence operations, to include the development of unique detection equipment as well as an on-call capability to identify suspect nuclear materials.

International Terrorism

The terrorist threat to US interests and citizens remained high in 1997. Even though the number of incidents last year was about the same as 1996, US citizens and facilities suffered more than 40 percent of the total number of terrorist attacks worldwide. The attack, moreover, on tourists in Luxor, Egypt was part of an ominous trend toward increasingly lethal terrorist attacks, especially against civilians. Most worrisome are the indications of terrorist interest in acquiring chemical, biological, and nuclear weapons.

To combat this growing danger to US citizens, the Intelligence Community introduced a new

procedure for rapidly disseminating terrorist threat warnings and provided integrated finished intelligence and analytical studies to senior civilian and military consumers. With the potential threat of nuclear terrorist attack in mind, the Community explored the use of selected commercial and field prototype equipment, under a variety of simulated border scenarios, to detect and analyze radioactive materials.

The Community also redoubled its counterterrorism efforts in 1997. One notable example of improved interagency teamwork was the stunning capture of Mir Aimal Kasi, the terrorist who gunned down CIA employees as they waited at a stoplight outside CIA headquarters. The Community also played an important role in protecting American troops and civilians deployed overseas from terrorist attacks. An Anti-Terrorism Specialty Team has been established to identify potential vulnerabilities to terrorists at several US bases.

International Narcotics

The illicit international drug industry is adapting to the counternarcotics successes that the United States and other governments have had in recent years. Most worrisome, the narcotics underworld is becoming more diverse and sophisticated. Traffickers are infusing their business with new technologies to enhance operations, improve security, and launder illicit proceeds. And they are expanding drug smuggling routes and methods. The cocaine industry is still a formidable challenge. Although counternarcotics successes have substantially reduced the power of the Cali kingpins over the cocaine trade, the trafficking infrastructure in the Andean countries has become more diffuse and there are more trafficking organizations of concern. Mexican drug cartels that traffick in cocaine, heroin, marijuana, and methamphetamine are seeking to expand their role in the international drug trade, and trafficking through the Caribbean basin in a growing concern. Meanwhile, opium production continues to be at near-record levels to support the expanding international heroin industry.

The Intelligence Community continues to work closely with US law enforcement agencies to attack the international drug trade. Foreign intelligence has provided insight into the leadership and operations of major drug trafficking groups which has helped in law enforcement efforts to disrupt and dismantle trafficking organizations. Rapid dissemination of intelligence information also assists interdiction activities.

Imagery or imagery-derived information as well as other intelligence sources assisted the Community in supporting the US Government's counternarcotics interdiction efforts, which included work on the annual narcotics certification process and development of estimates for the cultivation and production of all major cocoa and opium producing countries. From these findings it was revealed that the coca crop cultivation in Peru--historically the world's largest cultivator of coca--plummeted by 40 percent since 1995. Using the same methodology, it was revealed that Columbia's coca crop increased over the past few years.

International Organized Crime

The global span of business and technology has given crime syndicates unprecedented opportunities for illicit activities. US law enforcement authorities often remain constrained by national sovereignty and jurisdictions. The Intelligence Community must track a broader array of seemingly legitimate businesses that serve as fronts for criminal enterprise, and monitor the increasing role of gray arms brokers in arming rogue states, terrorists, and criminal groups. Last year the Intelligence Community reallocated and augmented resources on this issue, resulting in significantly increased reporting on the influence of organized crime groups worldwide.

Information Operations

Foreign entities are aware that an increasing proportion of our civil and military activity depends on the secure and uninterrupted flow of information. Last year the Intelligence Community identified several countries that have government-sponsored information warfare programs underway. Nations that are developing these programs recognize the value of attacking a country's computer systems--both on the battlefield and in the civilian arena. Protecting information systems in the United States is a key element of our program.

The Intelligence Community increased its efforts to uncover information operations activities. It published the first long-range intelligence estimate on the future threat from these activities. It began to develop the tools needed to improve its ability to detect and counter information warfare attacks. At the same time the Community worked closely with the law enforcement community and the private sector to gain insight into how to proceed in the future.

Economic Crises

Numerous events involving foreign economic developments over the past several years have demonstrated the need for US policymakers to take bold action on several fronts, including trade sanctions and the decision to provide humanitarian aid. The financial crises in Asian countries in 1997 underscored the fact that global markets today are so interconnected that economic problems in one country can have far reaching consequences for others. The troubles in Asia have economic costs for the United States, particularly in reducing US exports to the region. The crisis that began in 1997 will continue to have an impact on political stability in the region in 1998.

The potential for political instability in key countries that affect US interests--not only in Asia but in other regions as well--suggests that increased analysis of global economic security is warranted. In late 1997 the Intelligence Community began marshaling resources to support policymakers, and contributed information that was used in the US' decision to provide food aid to a particular country in crisis, and warned US decisionmakers regarding the intent of countries to engage in trade violating UN sanctions. Significantly increased intelligence support during future economic crises is expected.

Regional Trouble Spots

In 1997 tensions remained high in several of the world's trouble spots, requiring the continuing commitment of significant intelligence resources to support both diplomacy and military operations. In particular, intelligence collectors and analysts were focused on Bosnia, the Middle East, South Asia, and the Aegean.

Bosnia

Despite some progress in 1997, significant problems in Bosnia remained. US troops continued to participate in efforts to keep the peace, as mutual distrust among Serbs, Muslims, and Croats hampered efforts to create a functioning federation.

Intelligence played a key role in supporting military and diplomatic operations in Bosnia. The Community was instrumental in warning US military and diplomatic personnel of potential security threats, providing information on strategic leadership in areas of crisis and rising tensions, and gathering evidence of international sanctions violations. One crucial responsibility was to provide warning of impending acts of terrorism and helping to investigate acts of terrorism which occurred.

In addition to supporting force protection and readiness missions, the Community expanded and updated the Medical Environmental Disease Intelligence and Countermeasures data base to enhance medical support to deployed forces. National and theater level databases were also created to support counterintelligence operations and produce assessments of personnel, organizations, and events in Bosnia.

The Middle East

The historic strife and distrust that mark this region was aggravated by the spread of sophisticated weapons programs, an upsurge in terrorism, and demographic trends that led to heightened social tensions in 1997. The peace process stalled, with dangerous implications for all parties.

The Intelligence Community provided tailored products to support diplomatic and military concerns in the region. Rapid intelligence reporting on Iraq bolstered US policy development and talks with foreign powers and international organizations. Improved warning on Iraqi military intentions and capabilities provided critical intelligence for military forces as well. Iranian issues were the subject of Intelligence Community estimates, special WMD interagency assessments, and collection reviews.

In addition to the traditional support to diplomatic operations in the Middle East, the Intelligence Community also produced maps, graphics, publications, videos, multimedia presentations, live broadcasts, leadership profiles, and CD-ROM products ranging from the unclassified version of

"The World Factbook" through classified finished intelligence and distributing these through channels, liaison relationships, INTELINK, the Internet, and other methods.

The Aegean

Tensions between Greece and Turkey increased in 1997 in the wake of the European Unity (EU) summit decision to proceed with membership negotiations with Cyprus--while rebuffing Turkey's application--and the expected arrival of SA-10 air defense batteries from Russia this summer. Ongoing disputes over air and sea boundaries in the Aegean have also heightened long-standing Greek-Turkish animosities.

The Intelligence Community supported policymakers in their deliberations and reviewed and augmented intelligence collection in this region where the threat of regional conflict remains a serious policy concern.

South Asia

During 1997, relations between India and Pakistan remained poor with the long-standing dispute over the possession of Kashmir a major sticking point. The stakes of conflict remain high, as both countries have nuclear capabilities and are pursuing expanded WMD capabilities. The Intelligence Community reported on a broad range of critical issues affecting US policy toward India and Pakistan.

Crisis Management for Lower Tier Areas

The DCI also took steps toward ensuring that the Community focused adequate resources on non-hard target countries, in particular on those that could require major US diplomatic or military action. Over the past year the Community has implemented a process in which countries or regions with indications of a developing crisis will receive increased attention. The process includes surge planning which is intended to help the Community reconfigure its limited resources, if warranted.

Also, pilot testing was begun to advance the analytic tools necessary to allow non-linguists to search foreign language sources and databases in support of both military and non-military intelligence efforts. In addition, agencies reassessed their individual level of effort against lower priority countries.

Humanitarian Emergencies

The threat posed to US citizens and interests by humanitarian crises remained high last year. Thirty-four million people worldwide were unable to return to their homes as a result of crisis or conflict. Africa was the region most troubled by these emergencies--with US and UN resources called upon to assist relief

operations and attendant risks to US citizens caught up in violence. The Intelligence Community played a pivotal role in tracking several crises in Africa, including ethnic violence and revolutionary war in the Great Lakes region. The DCI Warning Committee, working closely with the National Intelligence Officer (NIO) for Warning, alerted policymakers to the unraveling of the Mobutu regime in Zaire. An estimate on Global Humanitarian Emergencies won high praise from senior military personnel at the US Transportation Command as well as from policymakers. Parts of this estimate were based on imagery-derived products.

Customer Support

One of the DCI's top priorities in 1997 was to improve support to all Intelligence Community customers. As a result of closer interaction with its customers, the Community improved its ability to meet requirements, made plans to address unfulfilled requirements, and obtained feedback on performance. For example, the Community is applying modern measurement tools to assess the satisfaction of its customers. With the assistance of a private-sector consulting firm, a Community-customer team conducted a broad survey of intelligence customers in 1997. At the same time, this team interviewed a number of intelligence personnel who interact regularly with those customers. The assessment found that while customers were generally satisfied with intelligence support, there were still some areas that needed improvement.

The Community is now preparing to review in depth a specific customer segment to develop detailed information that could lead to improved performance and increased customer satisfaction. A number of Intelligence Community components are now embarked on similar customer service improvement initiatives. Ultimately, systematic collection and analysis of customer satisfaction information will provide greater insights for planning, budgeting, improvement activities, and performance assessment. Support to customers' in specific mission areas include:

- **Support to and Conduct of Military Operations** continues to drive a significant proportion of intelligence requirements. The Intelligence Community supported military operations worldwide by aiding operational planning, participating in exercises, enhancing communications connectivity, deploying assets, sending rapidly deployable intelligence assets to crisis areas, and hosting a military visitors program. The Community also worked with the military to model the potential extent of troop exposure to chemical weapons during the Gulf war. Anti-terrorism services in support of the military commanders also continue to be a top intelligence priority.
- At the same time the Community improved its **Support to National Policy**. As nations and individuals alike gain easy access to conventional, chemical, and biological weapons, the Community must support new negotiations and agreements as well as existing tasks. New, and often more complex arms control treaties require Intelligence Community monitoring to help ensure full compliance by foreign parties and to protect US national interests. In 1997 the Intelligence Community monitored a variety of treaties and agreements (START I, the Chemical Weapons Convention, the Conventional Forces in Europe Treaty, etc.); participated in over 150

arms control related inspections and visits; and served on 10 separate interagency working groups to help formulate US policy for bilateral and multilateral arms control negotiations and related ad hoc efforts.

The Intelligence Community also supported policymakers by monitoring WMD programs around the globe as well as tracking assistance offered by proliferating countries to rogue states. The Community was instrumental in supporting US Government efforts to prevent illicit trafficking in nuclear materials and assisted with planning, coordination, and technical support at various overseas border locations.

The Intelligence Community has developed new mechanisms to provide direct support to diplomatic operations. For example, the Diplomatic Intelligence Support Center continues to be deployed to Bosnia to provide timely, tailored support to the Ambassador and other senior US diplomats in the region. In addition, a portable imagery dissemination system was developed for deployment to crises areas to enhance the flow of intelligence.

The Intelligence Community also supported efforts to improve understanding of environmental threats that may impact US interests. In 1997, based in part on imagery, the Community laid the groundwork for the DCI Environmental Center which focuses intelligence efforts on environmental issues. The Intelligence Community Assessment, 'The Environmental Outlook in Central and Eastern Europe' received strong praise from the Vice President. An improved working relationship with the World Health Organization and the Environmental Protection Agency led to periodic meetings with experts on environmental health and infectious disease issues.

- **Support to Law Enforcement** increased in 1997. The Community continued its efforts to disrupt and dismantle major drug trafficking organizations, enhance Intelligence Community coordination and information sharing, and focus US government counter drug resources on key targets. The Community also made significant progress in improving the analytic methodology used to complete interagency assessments of the flow of illegal drugs to the United States. These assessments provide US policymakers with significant leverage in bilateral counternarcotics discussions.

Countering Foreign Intelligence

Over the past year the Intelligence Community has made major strides in advancing a more cohesive and efficient national counterintelligence effort. Ongoing cooperation between intelligence and law enforcement has led to a more rapid detection of espionage activities as evidenced by the arrest and conviction of Harold Nicholson, Earl Pitts, Robert Kim, and Robert Lipka. The Community now produces an annual report on the effectiveness of the national counterintelligence program and the threat from foreign economic collection and industrial espionage. It has developed and implemented new counterintelligence awareness programs for the public and private sector, interagency counterintelligence training courses, electronic communication links and a forum for counterintelligence product

dissemination. More than 70 percent of over 16,000 counterintelligence reports generated by the Community during 1997 were focused on antiterrorism, force protection, and information assurance issues.

Advanced Research and Development

The Intelligence Community continues to make significant progress in applying science and technology to unique intelligence problems. This year saw the successful completion of research and transition to industry of a highly innovative technique for cooling high performance computing and electronic system components. Industry will employ these techniques in intelligence applications which require super cooling in order to perform at extremely high speeds, and to increase US commercial competitiveness. Intelligence Community investments in research on the mathematics and physics of quantum computation have nurtured this new, and potentially revolutionary, field of interest. Close interaction with other government agencies, industry, and academia on the very hard problems associated with the automated screening, filtering, and extraction of content information from written and spoken sources is resulting in a new level of performance. Bandwidth-efficient modulation technology which was developed by the Community was transitioned to the commercial sector to improve service for cellular phones. Finally, the Community worked with the life science community to seek new and effective ways of finding and evaluating materials associated with chemical and biological weapons of mass destruction.

Investment in the future is continuously challenged by the needs of today. This year some of the NFIP components have had to trade resources away from preparing for the future to assure performance against today's needs. While such trades are justifiable in the short term, they bode ill for the future health of intelligence. Efforts are underway to establish a strategic framework for advanced research and development to guide and sustain investment necessary to assure that the Intelligence Community will be the best in world, now and in the future.

Management Initiatives

Despite the end of the Cold War, the demand for Intelligence Community products has increased. The National Security Council, the military services, and civilian agencies still look to intelligence to provide timely information on a wide range of topics. This increased demand has coincided with a decline in experienced intelligence personnel and little or no growth in funding for intelligence activities. To meet this growing demand with fewer resources the DCI has sought innovative ways to improve teamwork, reduce duplication, and focus on the areas of greatest need. Some of his ideas are reflected in the management sections which follow:

Plans and Policy

To achieve his corporate goals, the DCI strengthened the roles of two Community-level organizations in 1997--the Community Management Staff (CMS) and the National Intelligence Council (NIC). The CMS advises the DCI on Community matters ranging from program and

budget oversight to policy formulation and requirements review. The NIC is the DCI's Community center for estimative intelligence on key national security issues. Both groups have developed new mechanisms for bringing the Community together on vital planning and policy matters. For example, the CMS-chaired National Intelligence Collection Board (NICB) has developed integrated plans for mixing technical sensors, human assets, and open sources to support crises (also see section on Collection Management Tasking, below). The NIC-chaired National Intelligence Production Board (NIPB) has prepared the 'DCI Guidance on Intelligence Priorities' and completed analytic depth studies on the hard targets.

The DCI also undertook a number of new approaches to manage the widely-dispersed capabilities of the Intelligence Community in order to respond to its complex challenges. He developed and refined processes--like those run by the joint DoD/Intelligence Community Program Review Group (IPRG) and the Intelligence Community Principals'/Deputies Committee, both of which include Community-wide senior membership--to improve teamwork among the 13 organizations that comprise the Community. The Principals' Committee is the senior Intelligence Community forum for consideration of policy, planning, and process issues under the authority of the DCI. The Intelligence Community Deputies Committee initially reviews and then advises the Principals' Committee on development and implementation of policies, plans and process issues, and tasks, reviews, and monitors the work of interagency policy and planning groups. Such groups and committees allow the DCI to view intelligence as a corporate enterprise and to make smarter use of limited resources, with less duplication and better results. The Community has tackled difficult, long-term issues such as imagery sharing with allies, examination of available commercial imagery markets for satisfying geospatial and intelligence markets, the reorganization of activities associated with Measurement and Signatures Intelligence (MASINT), and how to deal with the Year 2000 computer problem.

Collection Management Tasking

Recognizing the need for a future collection management architecture that will support integrated sensor tasking, dynamic re-tasking, and coordinated collection planning, the Community examined the existing intelligence requirements management processes. It found that cross-agency mechanisms such as the NICB have been especially effective in focusing the Community's collection resources during contingency and crisis situations. It also found that collectors and collection managers are pursuing modernized and streamlined requirements management processes and systems. However, it determined that longer term, cross-discipline collection planning on strategic issues needed improvement. The NICB currently is evaluating this area, using the issue of cruise missile proliferation as a test case.

Budget

Rigorous and disciplined program and budget reviews across the Intelligence Community continued in 1997. The joint Department of Defense/Intelligence Community program review

process, begun several years ago, was further refined to ensure that intelligence programs--at the national, joint, and tactical levels--are consistently and cohesively focused on meeting the requirements of our national security customers. The Intelligence Program Review Group (IPRG), jointly chaired by the Executive Director for Intelligence Community Affairs (ExDIR/ICA) and the Deputy Assistant Secretary of Defense for Intelligence and Security (DASD I&S), continued to serve as the forum for identifying and evaluating cross-cutting programmatic issues involving NFIP, JMIP, and TIARA. This joint program review process culminates in yearly expanded defense resource board meetings, chaired by the DCI and the Deputy Secretary of Defense. Over the past year, approximately 30 funding issues were examined by the IPRG including a major assessment of the funding currently allocated for assessing the threat from chemical and biological weapons. This process allows the Community to free up resources for investment in new technology while avoiding wasteful spending and unnecessary duplication of effort.

The Community continued to refine its Mission-Based Budgeting approach. The benefits of aligning intelligence projects and programs with the missions they serve are twofold. First, it provides a basis for evaluating the contributions of intelligence activities in meeting the needs of all customers. It also provides Community planners with a method of ensuring that future funding decisions on intelligence are made based on mission priorities. The Community undertook steps to comply with the Information Technology Management Reform Act (ITMRA) to manage investments in information technology more effectively and to modernize the information infrastructure across the Community. To further help align mission needs and business processes with information technology investments, the Community produced its first Information Systems Strategic Plan. This plan focuses on functions and services of common concern, and will be used to guide resource decisions. It will also serve as a catalyst for realigning and re-engineering information systems, processes, and operations. Community-level management offices were established for the worldwide INTELINK, to improve sharing of telecommunications services, and to plan and implement a common messaging service.

Personnel Management

The Community began a series of initiatives in 1997 to improve the skills and better utilize the talents of its workforce. The Intelligence Community Assignment Program (ICAP) was begun to develop multi-skilled officers with corporate intelligence experience based on rotational assignments. It is also reexamining and implementing revised training programs to provide officers with broad-based knowledge of Intelligence Community activities. The DCI Foreign Language Committee sponsored a large-scale survey, last undertaken in the 1960's, that compares the foreign language proficiency levels attained by university graduates and graduates of government language training programs. The results will help the Community to understand the extent it can rely on academia to meet Intelligence Community requirements for linguists. At the same time, the Community continues to offer separation incentives and early retirement to meet downsizing goals while working with senior managers and Equal Employment Opportunity representatives to focus recruitment on filling critical skill and diversity needs.

Quality Management

Community organizations have been using modern quality management approaches to improve performance for the last several years. The Community has participated fully in Vice President Gore's National Performance Review since it began in 1993, with a high-completion rate on the recommendations stemming from the review. In addition, the Community has used the criteria of the President's Award for Quality for organizational assessment, basing a number of specific improvement activities on the findings of the assessments. Several Community teams have received the Vice President's "hammer" award for their efforts and more than ten "reinvention laboratories" are now operating in the Community.

Ongoing Challenges

While significant progress has been made in streamlining intelligence activities and improving work processes, more can be done. Providing a prudent level of effort against the many global challenges while ensuring in-depth expertise on the hard target countries remains a significant challenge. The ability to surge intelligence activities to support a localized crisis is largely dependent upon having the connectivity and interoperability to combine the efforts of many agencies--but compatible infrastructures capable of handling today's huge data volumes are still lacking in many cases.

Freeing up resources to invest in new technology is also difficult. The funding environment leaves little room for error in pushing the technology envelope. The Community continues to struggle with ensuring that collection, processing, forwarding, analysis, and dissemination capabilities exist to effectively handle information conveyed by the increasingly complex, higher speed technologies employed by most targets today. Many foreign technologies are being upgraded at least every 18 months, whereas the systems and analysis tools the Community uses to exploit them are many years older by comparison. We must also find ways to merge multimedia intelligence sources and deliver finished products in a more timely fashion while at the same time recognizing the counterintelligence concerns associated with increased sharing of data.

The Community is identifying innovative ways to address these challenges by forging new relationships with the private sector, with other government agencies, and with foreign partners. It is also developing a strategy for "outsourcing" some intelligence activities and is accelerating initiatives to reengineer and compete commercial activities. The strategy developed in 1997 introduced the basic criteria for identifying and evaluating intelligence and related activities for outsourcing. Next steps include consistent application of criteria in determining candidates for outsourcing and systematically expanding outsourcing efforts across all intelligence and related activities.

The nature of the threat will continue to change. What has not changed is the need for dedicated, experienced intelligence officers to monitor communications, process reams of data, cultivate information sources, and design new means of intelligence gathering. We still need skilled analysts who can take raw data from multiple sources and produce assessments of foreign leaders' intentions. We need

technical and other support personnel to make the business of intelligence run smoothly. We made some progress in attracting and retaining people with the right skills and abilities in 1997, but this will require sustained management attention for some years to come if we are to succeed in developing the skills mix needed by the Intelligence Community.

Ultimately the Community's success depends upon the support of the public it serves and the Congress that oversees its work. The strong partnership between the legislative branch and the Intelligence Community that has developed in recent years will enable the United States to meet the intelligence challenges of the 21st Century.

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