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Table of Contents

Acrobat PDF

[Dedication](#)

[Preface](#)

[Executive Summary](#)

[Introduction](#)

[Chapter 1. The Need to Maintain an Intelligence Capability](#)

[Chapter 2. The Role of Intelligence](#)

[Chapter 3. The Need For Policy Guidance](#)

[Chapter 4. The Need for a Coordinated Response to Global Crime](#)

[Chapter 5. The Organizational Arrangements for the Intelligence Community](#)

[Chapter 6. The Central Intelligence Agency](#)

[Chapter 7. The Need for an Effective Budget Structure and Process](#)

[Chapter 8. Improving Intelligence Analysis](#)

[Chapter 9. The Need to "Right-Size" and Rebuild the Community](#)

[Chapter 10. Military Intelligence](#)

[Chapter 11. Space Reconnaissance and the Management of Technical Collection](#)

[Chapter 12. International Cooperation](#)

[Chapter 13. The Cost of Intelligence](#)

[Chapter 14. Accountability and Oversight](#)

[Epilogue](#)

[Additional Views of Senator John Warner](#)

[Acknowledgments](#)

Appendices

[Appendix A. The Evolution of the U.S. Intelligence Community-An Historical Overview](#)

[Appendix B. An Overview of the Intelligence Community](#)

[Appendix C. List of Witnesses](#)

[Appendix D. List of Interviews](#)

[Appendix E. Authorizing Legislation](#)

[Appendix F. Statutory Issue Cross Reference Index](#)

[Appendix G. Biographical Information](#)

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Page PDF-REPORT February 23, 1996

Dedication

THE Commission dedicates this report to the memory of Les Aspin, the distinguished former chairman of the Armed Services Committee of the House of Representatives, former Secretary of Defense, and former Chairman of the President's Foreign Intelligence Advisory Board. He served as Chairman of the Commission from February 3, 1995 until his untimely passing on May 21, 1995.

Les undertook this inquiry with his usual intensity and curiosity, attempting to assimilate as many facts and opinions from as many people as he could possibly cram into a day's schedule. This particular undertaking was yet another of the intellectual puzzles Les so relished and was so good at solving. He infected us with his enthusiasm and educated us with his insights. While his loss was a severe blow, we followed the path he had laid out for us, and his example motivated us each step of the way. Les so eagerly anticipated bringing this report to fruition. It is, therefore, only fitting that we dedicate it to him now with a deeply felt sense of affection and gratitude.

The Commission also takes this occasion, as Les would want us to do, to pay special tribute to the men and women of the Intelligence Community who have given their lives in the service of their country. Their sacrifices, often made in anonymity, have made the world a safer place for us all.



Preface

THE perception many Americans have of intelligence probably owes more to fiction than fact. Indeed, most Americans have little understanding of either what intelligence is or what intelligence does. Compared with other areas of government activity, intelligence, by its very nature, is exposed to little public debate and cannot receive the normal level of serious and informed scrutiny by the press. It is, moreover, a function internal to the workings of government, one which has little perceptible effect on the daily lives of most Americans, and thus, generates few constituencies among the public.

During the Cold War, when U.S. survival seemed at stake, Americans, for the most part, accepted the need for an intelligence apparatus to fathom the intentions and capabilities of a hostile, dangerous adversary which often acted in secret. While some citizens were uncomfortable with the notion of a democratic government carrying out clandestine activities abroad with seemingly little accountability to the electorate, most accepted the need for the United States to cope realistically and comprehensively with clear and significant external threats to its security.

For more than forty years, the United States invested in an intelligence apparatus which grew ever more capable and ever more costly, encompassing not only a far-flung network of human agents but also a fleet of satellites, high-altitude reconnaissance aircraft, and sophisticated listening posts around the world. During the days of the Cold War, intelligence was widely accepted as worth the cost, regardless of what it took, because our survival was at stake.

Today, by all accounts, the technical intelligence capabilities of the United States are the most advanced of any government in the world. As such, they provide an advantage over potential adversaries and constitute an important element of national strength both in military and political terms. Moreover, given the enormous long-term investment required to create a comparable capability, the United States is apt to retain its preeminent position so long as it chooses to maintain and modernize these capabilities.

But maintaining and modernizing these capabilities are costly. Given other pressing fiscal needs, serious attention must be paid to why they are needed in the post-Cold War era. Countries that once threatened our survival now are emerging democracies. Information once denied the outside world now is readily available from a multitude of sources. Some “denied areas” are no longer so.

Given this radically changed global environment, are intelligence capabilities still needed? If so, can their efficiency and effectiveness be improved?

These questions have been raised repeatedly since the end of the Cold War without a satisfactory answer. At the same time, the confidence of the public and the Congress in intelligence agencies eroded amid evidence of instances of incompetence, allegations of wrongdoing, and a seeming lack of accountability.

By the autumn of 1994, these episodes had taken their toll on the credibility of the enterprise. Congress decided it needed an outside opinion. What kind of intelligence capability is needed by the United States, and, if one still made sense, how can it be improved? Those are the questions that prompted the creation of this Commission. Congress wanted an independent and objective judgment, untainted by politics or blind adherence to the *status quo*.

That is the standard the Commission strove to satisfy, and that is how we hope this report is perceived. For almost a year, the Commission wrestled with the issues. We found an Intelligence Community of greater size and complexity than many of us had realized. Understanding it even at a “macro” level required mastering a great deal of arcane and technical information. A large part of our initial effort involved identifying among myriad details the key problems and appropriate levers for bringing about needed change. From there we considered the various options for instituting such change, evaluating literally hundreds of ideas and proposals communicated to us over the course of our inquiry. Those which appeared to have merit were scheduled for discussion. From those discussions, consensus began to emerge on most issues.

During this process, we could not divorce ourselves from unfolding events. Several months into our work, a new Director of Central Intelligence was confirmed who had his own ideas for reforming institutions and procedures. Those had to be taken into account. In addition, oversight matters arose during the year which aroused considerable public controversy and had to be evaluated. While the Commission was not charged with conducting an oversight inquiry, we had to ascertain whether these episodes suggested any systemic changes.

This report contains numerous findings and recommendations. Some call for major change; others recommend preserving the *status quo*. All were arrived at after a long process of fact-finding and debate. We recognize that they will not be greeted with unanimous support and approval. Indeed, among the witnesses who appeared before the Commission, we found unanimity on very few issues. That a commission of 17 people with such different backgrounds and experience could reach the degree of consensus reflected by this report is remarkable in and of itself.

While the Commission’s recommendations address a great many issues, there are discernable overarching themes:

- ◆ First is the need to better integrate intelligence into the policy community it serves. Intelligence cannot operate successfully in a vacuum. Its effectiveness is largely a function of its responsiveness, and its responsiveness is a function of the relationships it has with those it serves, from the President on down.
- ◆ Second is the need for intelligence agencies to operate as a “community.” In times of crisis or war, intelligence agencies overcome the obstacles that separate them and pull together toward a common objective. By all accounts, it is in such situations that intelligence performs best. The challenge is to create the same level of performance in the absence of crisis.

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- ◆ Third is the need to create greater efficiency. The Commission's report suggests a number of ways this might be done. Few will be easy. If the intelligence function is to retain its vitality, however, and if the confidence of the Congress and the public is to be restored, more rigor and modern management practices must be brought to the system.

In closing, we express our appreciation for the assistance of the Commission staff, under the direction of Britt Snider, Staff Director, John Moseman, Deputy Staff Director, and John Bellinger, General Counsel. To Britt Snider in particular, our thanks for his leadership in guiding our inquiry and his unstinting efforts to produce a thorough and balanced report.

For all who worked on this project, Commissioners and staff alike, this has been an exceptionally compelling experience. Our work now passes to the President and to the Congress for consideration and implementation as they may deem appropriate. We hope that the actions recommended by the Commission will strike a responsive chord in both branches and lead to a more effective, responsive, and efficient intelligence capability to serve the nation's interests. From the beginning, that goal has united all who served on this Commission.



Harold Brown
Chairman



Warren B. Rudman
Vice Chairman

Executive Summary

THIS Commission was chartered by Congress in October 1994 to conduct a comprehensive review of American intelligence. The Cold War had ended, and it was prudent to reexamine a costly government activity closely tied to that era.

Legislative attempts in the early 1990s to restructure and reform intelligence had not been seen as producing significant change. Reform efforts within the Executive branch had proceeded by fits and starts. Intelligence agencies touted new forays into areas such as intelligence on the environment, leading many observers to conclude they had lost focus and were searching for reasons to justify their existence.

In addition, new questions arose about the competence and accountability of intelligence agencies. The Ames espionage case, in particular, raised concerns not only about the failure of the CIA to detect a rather clumsy spy in its midst, but also about the degree to which the agency holds accountable those responsible.

By the fall of 1994, Congress decided the time had come for a “credible, independent, and objective review of the Intelligence Community” and established this Commission to perform it. Nineteen separate areas were identified for assessment.

The Commission began operations on March 1, 1995 and conducted a rigorous inquiry during the following twelve months. It received formal testimony from 84 witnesses, and its staff interviewed over 200 other individuals. Members of the Commission visited several foreign countries with which the U.S. has cooperative relationships in the intelligence area, and the Commission reviewed a large amount of written opinion on intelligence issues. The results of its inquiry are reflected in the fourteen chapters that follow this summary.

Overall Findings and Conclusions

The Commission concludes that the United States needs to maintain a strong intelligence capability. U.S. intelligence has made, and continues to make, vital contributions to the nation’s security, informing its diplomacy and bolstering its defenses. While the focus provided by the superpower struggle of the Cold War has disappeared, there remain sound and important roles and missions for American intelligence.

At the same time, the performance of U.S. intelligence can be improved:

- ◆ **Intelligence must be closer to those it serves. Intelligence agencies need better direction from the policy level, regarding both the roles they perform and what they collect and analyze. Policymakers need to appreciate to a greater extent what intelligence can offer them and be more involved in how intelligence capabilities are used. Intelligence must also be integrated more closely with other functions of government, such as law enforcement, to achieve shared objectives.**

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- ◆ **Intelligence agencies should function more closely as a “Community.”** The present organizational arrangement does not provide sufficiently strong central direction. Authority is dispersed, and administrative barriers often prevent or impede cooperation between agencies.
 - ◆ **Intelligence can and should operate more efficiently.** In some cases, organizational structures create inefficiencies. The process for allocating resources to intelligence is severely flawed. Greater use of modern management practices is needed. Some agencies find themselves with workforces that are not aligned with their current needs but lack the ability to correct the situation. Separate personnel and administrative systems among the agencies create additional inefficiencies. Meanwhile, the growing cost of these workforces precludes needed investments in new technologies and initiatives.
 - ◆ **The quality and utility of intelligence to the policy community should be improved.** Intelligence producers need to build more direct relationships with their customers, take greater advantage of expertise and capabilities outside the Government, and take additional measures to improve the quality and timeliness of their output. Some independent evaluation of this output needs to occur.
 - ◆ **Through expanded international cooperation, the United States should take advantage of its preeminence in the intelligence field to further its broader political and military interests, sharing the capabilities as well as the costs.**
 - ◆ **The confidence of the public in the intelligence function must be restored.** Ultimately, this will happen only as the Intelligence Community earns the trust and support of those it serves within the Government, including the elected representatives of the people. Yet those responsible for directing and overseeing intelligence activities also can play a part by providing public recognition and support where appropriate.

While each of these problems is challenging, none is insuperable. This report reflects what, in the Commission’s view, needs to be done. The principal recommendations of the Commission are summarized in the next section. (Additional recommendations are made in the text of the report and are not reflected in this summary.)

Summary of the Commission’s Key Recommendations

The Need to Maintain an Intelligence Capability (Chapter 1)

Without question, the United States needs information about the world outside its borders to protect its national interests and relative position in the world, whether as a Cold War “superpower” or a nation that remains heavily and inextricably engaged in

world affairs. It needs information to avoid crises as well as respond to them, to calibrate its diplomacy, and to shape and deploy its defenses.

Much of that information is openly available, but much of it is not. Intelligence agencies attempt to fill the void. Their capabilities are costly. At times their activities are a source of embarrassment, even consternation. But they continue to provide information crucial to U.S. interests. Over the last five years, conflicts have been avoided, wars shortened, agreements reached, costs reduced, and lives saved as a result of information produced by U.S. intelligence agencies.

The Commission concludes that the United States should continue to maintain a strong intelligence capability. U.S. intelligence has made, and continues to make, vital contributions to the nation’s security. Its performance can be improved. It can be made more efficient. But it must be preserved.

The Role of Intelligence (Chapter 2)

The roles and missions of intelligence are not static. They are affected by changes in the world, in technology, and in the Government’s needs. Each President must decide where intelligence agencies should concentrate their efforts.

The Commission perceives four functional roles for intelligence agencies—collection, analysis, covert action, and counterintelligence—as well as a number of “missions” in terms of providing substantive support to particular governmental functions.

There are complexities in each of the functional roles, but covert action (i.e., operations to influence conditions in other countries without the involvement of the United States being acknowledged or apparent) remains the most controversial. **The Commission concludes that a capability to conduct covert actions should be maintained to provide the President with an option short of military action when diplomacy alone cannot do the job. The capability must be utilized only where essential to accomplishing important and identifiable foreign policy objectives and only where a compelling reason exists why U.S. involvement cannot be disclosed.**

Support to U.S. diplomacy, military operations and defense planning should continue to constitute the principal missions of the Intelligence Community. Countering illicit activities abroad which threaten U.S. interests, including terrorism, narcotics trafficking, proliferation of weapons of mass destruction, and international organized crime are also increasingly important missions.

The increase in the availability of publicly available information may permit some diminution in the current level of effort to analyze the economies of other countries. The Commission strongly supports the current policy prohibiting intelligence agencies from engaging in “industrial espionage,” i.e., using clandestine means to obtain information from foreign commercial firms for the benefit of a U.S. competitor. It is appropriate, however, for intelligence agencies to report to cognizant officials at the Departments of State and/or Commerce evidence of unfair trade practices being undertaken by or with the knowledge of other governments to the disadvantage of U.S. firms.

Support to law enforcement and regulatory agencies is a legitimate mission but requests for such support must be rigorously evaluated to ensure that intelligence agencies are able to make a useful contribution. The Commission also sees the provision of support to U.S. agencies concerned with environmental and health problems outside the United States as a legitimate, albeit limited, mission.

The Need for Policy Guidance (Chapter 3)

By law, the principal source of external guidance for intelligence activities has been the National Security Council (NSC). In practice, however, the institutional functions of the NSC with respect to intelligence have varied from one Administration to another. Moreover, the organizational structures created to perform these functions often have foundered due to lack of involvement by senior officials. This has resulted in inconsistent, infrequent guidance, and sometimes no guidance at all, leaving intelligence agencies to fend for themselves.

The institutional role played by the NSC with respect to intelligence activities should not change from Administration to Administration. This role should include providing overall guidance on what intelligence agencies are expected to do (and not do); establishing priorities for intelligence collection and analysis to meet the ongoing needs of the Government; and assessing periodically the performance of intelligence agencies in meeting these needs. Whatever NSC structure may be created to accomplish these ends, it should remain clear that the Director of Central Intelligence reports directly to the President.

The Commission recommends a two-tier structure to carry out the institutional role of the National Security Council. A “Committee on Foreign Intelligence” should be created, chaired by the Assistant to the President for National Security Affairs, and including the Director of Central Intelligence, the Deputy Secretary of Defense, and the Deputy Secretary of State. This Committee should meet at least semiannually and provide broad guidance on major issues. A subordinate “Consumers Committee,” comprising representatives of the major consumers and producers of intelligence, should meet more frequently to provide ongoing guidance for collection and analysis and periodically to assess the performance of intelligence agencies in meeting the needs of the Government.

The Need for a Coordinated Response to Global Crime (Chapter 4)

Global criminal activity carried out by foreign groups—e.g. terrorism, international drug trafficking, proliferation of weapons of mass destruction, and international organized crime—is likely to pose increasing dangers to the American people in the years ahead, as perpetrators grow more sophisticated and take advantage of new technologies.

Law enforcement agencies historically have taken the lead in responding to these threats, but where U.S. security is threatened, strategies which employ diplomatic, economic, military, or intelligence measures may be required instead of, or in collaboration with, a law enforcement response. In the Commission’s view, it is essential that there be overall direction and coordination of the U.S. response to global crime.

The Commission recommends the establishment of a single element of the National Security Council—a Committee on Global Crime—chaired by the Assistant to the President for National Security Affairs and including, at a minimum, the Secretaries of State and Defense, the Attorney General, and the Director of Central Intelligence, to develop and coordinate appropriate strategies to counter such threats to our national security.

For these strategies to be effective, the relationship between intelligence and law enforcement also must be substantially improved. In this regard, the Commission recommends: (1) the President should designate the Attorney General to serve as the spokesperson and coordinator of the law enforcement community for purposes of formulating the nation’s law enforcement response to global crime; (2) the authority of intelligence agencies to collect information concerning foreign persons abroad for law enforcement purposes should be clarified by Executive Order; (3) the sharing of relevant information between the two communities should be expanded; and (4) the coordination of law enforcement and intelligence activities overseas should be improved.

The Organizational Arrangements for the Intelligence Community (Chapter 5)

The position of Director of Central Intelligence (DCI) was created to pull together and assess relevant information collected by the intelligence elements of the Government. Over the past five decades, the number, size, and cost of those agencies grew. In 1971, President Nixon gave the DCI explicit authority to establish requirements and priorities for intelligence-gathering, and to consolidate the budgets of all “national” intelligence activities into a single budget. Succeeding Presidents issued orders reaffirming and, to a limited degree, expanding these authorities.

Nevertheless, over 85 percent of the intelligence budget is executed by agencies not under the DCI’s control. He exercises no line authority over the personnel of agencies other than the CIA and has little recourse when these agencies choose to ignore his directives. He remains an advocate for “national” requirements, but his ability to influence other agencies is largely a function of his persuasiveness rather than his legal authorities. Partly because of their relatively weak position with respect to the Intelligence Community as a whole, most DCIs have devoted the bulk of their time to managing the CIA and serving as intelligence adviser to the President.

The Commission considered many options for dealing with this problem, from abandoning the concept of centralized management altogether to giving the DCI line authority over “national” intelligence agencies within the Department of Defense (DoD). In the end, the Commission concluded that a centralized framework should be retained and that it would be unwise and undesirable to alter the fundamental relationship between the DCI and the Secretary of Defense. The Commission concluded the preferable approach is to strengthen the DCI’s ability to provide centralized management of the Intelligence Community.

To give the DCI more time to manage, the Commission recommends that the current position of Deputy Director of Central Intelligence should be replaced with two new deputies to the DCI: one for the Intelligence Community and one with day-to-day responsibility for managing the CIA. Both would be appointed by the President and confirmed by the Senate. The deputy for the CIA would be appointed for a fixed term. To give the DCI greater bureaucratic “weight” within the Intelligence Community, the DCI would concur in the appointment (or recommendation for appointment) of the heads of “national” intelligence elements within the Department of Defense, and would be consulted with respect to the appointment of other senior officials within the Intelligence Community. The heads of two of the “national” intelligence elements— the Director of the National Security Agency and the Director of the Central Imagery Office (or its successor agency)— would be dual-hatted as Assistant Directors of Central Intelligence for signals intelligence and imagery, respectively. Their performance in those capacities would be evaluated by the DCI as part of their rating by the Secretary of Defense. In addition, the DCI would be given new tools to carry out his responsibilities with respect to the intelligence budget and new authority over the intelligence personnel systems.

The Central Intelligence Agency (Chapter 6)

While the CIA has had too many operational and management failures, those failures do not represent the norm. Indeed, the Commission found that the CIA has had, and continues to have, important successes in what is a difficult and risky business. The Commission concludes that the functions of the CIA remain valid and are not likely to be performed better elsewhere in the Government. Substantial changes in the Agency’s management and method of operation are needed, however, to reduce the likelihood of additional internal breakdowns and instances of poor performance.

To provide greater continuity in the management of the CIA, the Commission recommends that the Deputy DCI responsible for the CIA be appointed to a fixed term with an overall length of six years, renewable by the President at two-year intervals. To improve the quality of management, the Commission recommends a comprehensive approach to the selection, training, and career progression of CIA managers. Separate career tracks with appropriate opportunities for advancement ought to be provided for specialists who are not selected as managers. Clear guidelines should be issued regarding the types of information that should be brought to the attention of senior Agency managers, including the DCI and Deputy DCI.

The Need for a More Effective Budget Structure and Process (Chapter 7)

The DCI is responsible for approving the budget for “national intelligence,” but 96 percent of the funding is contained in the budget of the Department of Defense. In addition, the DCI’s budget is but one of three budgets or aggregations that make up the total funding for intelligence. The other two fund “defense-wide” and “tactical” intelligence activities of the Department of Defense.

Programs within the DCI's intelligence budget are not built around a consistent organizing principle. Activities of a similar nature are often funded in several different "programs," making it difficult to assess tradeoffs between programs or to know where best to take cuts, should cuts be necessary. Given that similar intelligence activities also may be funded outside the DCI's budget in either defense-wide or tactical intelligence aggregations, the potential for waste and duplication is exacerbated.

The DCI has had inadequate staff support, inadequate procedures, and inadequate tools to carry out effectively his budgetary responsibilities for "national" intelligence.

The Commission recommends that the budget for national intelligence be substantially realigned. Programs grouping similar kinds of intelligence activities should be created under separate "discipline" managers reporting to the DCI. For example, all signals intelligence activities should be grouped under the "discipline management" of the Director of the National Security Agency. These discipline managers also should coordinate the funding of activities within their respective disciplines in the defense-wide and tactical aggregations of the Defense Department, thus bringing greater consistency to all intelligence spending. The DCI should be provided a sufficient staff capability to enable him to assess tradeoffs between programs or program elements and should establish a uniform, community-wide resource data base to serve as the principal information tool for resource management across the Intelligence Community.

Improving Intelligence Analysis (Chapter 8)

Unless intelligence is relevant to users and reaches them in time to affect their decisions, the effort to collect and produce it has been wasted. Consumers in policy agencies in particular express dissatisfaction with the intelligence support they receive. While consumers often are uncooperative and unresponsive, producers must attempt to engage them.

The Commission recommends that intelligence producers take a more systematic approach to building relationships with consumers in policy agencies. Key consumers should be identified and consulted individually with respect to the form of support they desire. Producers should offer to place analysts directly on the staffs of consumers at senior levels.

Relationships with consumers cannot be sustained, however, unless intelligence producers can over time demonstrate they bring something of value to the table. While the Commission found that intelligence analysis consistently adds value to that which is available from public sources, improving the quality of such analysis and ensuring it reaches users in a timely manner are continuing concerns.

The Commission recommends that the skills and expertise of intelligence analysts be more consistently and extensively developed, and that greater use be made of substantive experts outside the Intelligence Community. A greater effort also should be made to harness the vast universe of information now available from open sources. The systems establishing electronic links between producers and consumers currently being implemented should be given a higher priority.

Estimative, or long-term, intelligence came in for particular criticism from consumers.

The Commission recommends that the existing organization that prepares intelligence estimates, the National Intelligence Council, be restructured to become a more broadly based “National Assessment Center.” It would remain under the purview of the DCI but be located outside the CIA to take advantage of a broader range of information and expertise.

The Need to “Right-Size” and Rebuild the Community (Chapter 9)

Although there have been substantial personnel reductions in virtually every intelligence agency since the end of the Cold War, personnel costs continue to crowd out investments in new technologies and operational initiatives. In some agencies, this phenomenon is beginning to reach crisis proportions. Agencies find themselves with workforces that are not well aligned with their needs but lack the legal authority to streamline and reorient their workforces to current and future requirements.

The Commission recommends the enactment of new legislation giving the most severely affected intelligence agencies a one-year window to “rightsize” their workforces to the needs of their organization. Such authority would be available only to the CIA and to intelligence agencies within the Department of Defense which determine that a reduction of 10 percent or more of their civilian workforce beyond the present congressionally-mandated level of reduction is desirable. Agencies which avail themselves of this authority would identify positions no longer needed for the health and viability of their organization. The incumbents of such positions, if close to retirement, would be allowed to retire with accelerated eligibility. If not close to retirement, they would be provided generous pay and benefits to leave the service of the agency concerned, or, with the concurrence of the agency affected, exchange positions with an employee not in a position identified for elimination who was close to retirement and would be allowed to leave under the accelerated retirement provisions. New employees would be hired to fill some, but not all, of the vacancies created, providing the skills necessary to satisfy the current and future needs of the agency involved.

Four separate civilian personnel systems exist within the Intelligence Community. These systems discourage rotation between intelligence agencies, which is key to functioning as a “community.” In addition, many aspects of personnel and administration could be performed more efficiently if they were centralized.

The Commission recommends the Director of Central Intelligence consolidate such functions where possible or, if centralization is not feasible, issue uniform standards governing such functions. The Commission also recommends the creation of a single “senior executive service” for the Intelligence Community under the overall management of the DCI.

Military Intelligence (Chapter 10)

Responsibility for military intelligence is dispersed among the Office of the Secretary of Defense, the Joint Chiefs of Staff, the military departments, several defense

agencies, and, to a lesser degree, the CIA. To provide coherence, a multitude of boards, committees, and working groups exist to develop policy and allocate resources. Although many witnesses suggested creating a single military official with overall responsibility for these activities, the Commission does not endorse this suggestion.

The Commission did find that progress had been made in reducing duplication in military intelligence analysis and production, but that the size and functions of the numerous organizations performing these functions continued to raise concern. **The Commission recommends that the Secretary of Defense undertake a comprehensive examination of the size and missions of these organizations.**

The Commission also found that the organizational arrangements for providing intelligence support to joint warfighting and for executing the functions of the Joint Chiefs of Staff as they pertain to intelligence should be improved. **The Commission recommends that the Director for Intelligence (J-2), who now is an officer assigned to the Defense Intelligence Agency, be constituted as part of the Joint Staff and be made responsible for these functions.**

The Commission also found that a problem continued to exist with respect to how information produced by national and tactical intelligence systems is communicated to commanders in the field. While such information has become increasingly important for the targeting of “smart” weapons and reconnaissance assets, it is not always communicated in a timely way or in a form that can readily be used. Many organizations and coordinating entities within DoD are working on aspects of this problem, but no one, short of the Secretary of Defense, appears to be in charge. **The Commission recommends that a single focal point be established on the staff of the Secretary of Defense to bring together all of the relevant players and interests to solve these problems. It considers the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) to be the appropriate official for this purpose.**

Finally, the Commission believes the costs and difficulties involved in maintaining a separate infrastructure within DoD for the conduct of clandestine HUMINT operations are no longer justified. **The Commission recommends that the clandestine recruitment of human sources, now carried out by active duty military officers assigned to the Defense HUMINT Service, be transferred to the CIA, utilizing military personnel on detail from the DoD as necessary.**

Space Reconnaissance and the Management of Technical Collection (Chapter 11)

U.S. intelligence capabilities in space represent technological achievements of the highest order, and have, over time, served the nation’s interests well. They are highly vulnerable to the failure of a single component system, however, and are very expensive.

The Commission recommends greater international cooperation in space reconnaissance through expanded government-to-government arrangements as a means of dealing with both the vulnerability and cost of U.S. space systems. In this regard, the Commission proposes a two-tier approach as a model for such collaboration. The

Commission also recommends that the President reexamine certain restrictions on the licensing of commercial imaging systems for foreign sale in order to encourage greater investment by U.S. firms in such systems.

The Commission endorses greater coordination between the space programs of the Defense Department and Intelligence Community in order to achieve economies of scale where possible, but recommends the National Reconnaissance Office be preserved as a separate organization.

The Commission endorses the creation of a National Imagery and Mapping Agency as recently proposed by the DCI and Secretary of Defense.

International Cooperation (Chapter 12)

The Commission found that the United States is deriving great benefit from its bilateral relationships in the intelligence area. While other countries do not have technical capabilities to match those of the United States, they do provide expertise, skills, and access which U.S. intelligence does not have, and, for the most part, appear to be contributing within the limits of their respective national resources. Cooperation in intelligence matters also provides a tangible means of maintaining the overall political relationship with the countries concerned.

Increasingly, the United States acts through multinational organizations or as a part of multinational coalitions. Often it will be in the interest of the United States to share information derived from intelligence with such organizations or coalitions to achieve mutual objectives. While the Intelligence Community, when called upon, does attempt to satisfy these kinds of requirements, a more systematic, comprehensive approach is called for.

The Commission recommends that the DCI and the Secretaries of State and Defense develop a strategy that will serve as the normal basis for sharing information derived from intelligence in a multinational environment.

The Cost of Intelligence (Chapter 13)

In this report, the Commission recommends a number of actions which it believes would, if implemented, reduce the cost of intelligence. In particular, the Commission believes that until the Intelligence Community reforms its budget structure and process, as recommended in Chapter 7, it will remain poorly positioned to identify potential cost reductions.

At the same time, the Intelligence Community may have needs that are not funded in the projected program, especially in the area of research and development and investments in new technology. Given that downward pressure on spending will continue for the foreseeable future, these needs are not apt to be funded unless savings can be found to finance them within the existing budget. The Commission believes it essential, therefore,

that a concerted effort be made by the DCI and heads of agencies within the Intelligence Community to reduce the costs of their operations in order to maintain their overall health and vitality.

Accountability and Oversight (Chapter 14)

Intelligence agencies, compared to other institutions of the federal government, pose unique difficulties when it comes to public accountability. They cannot disclose what they are doing to the public without disclosing what they are doing to their targets. Yet they are institutions within a democracy, responsible to the President, the Congress, and, ultimately, the people. Where accountability can be strengthened without damaging national security, the Commission believes it should be.

The Commission recommends that the President or his designee disclose the total amount of money appropriated for intelligence activities during the current fiscal year and the total amount being requested for the next fiscal year. The disclosure of additional detail should not be permitted.

Because intelligence activities cannot be openly discussed, special oversight arrangements have been created for intelligence agencies in both the Legislative and Executive branches.

In Congress, principal day-to-day oversight is provided by special committees in the House of Representatives and the Senate, whose members serve on rotational assignments up to eight years in length. By and large, these committees appear to provide effective oversight. **The Commission believes, however, that their oversight would be strengthened if appointments to the committees were treated like appointments to other committees, with new members added as a result of normal attrition. The choice of new members, however, should continue to be made by the respective congressional leaders. If this is not feasible, the maximum period of service ought to be extended to at least ten years.**

In the Executive Branch, the Intelligence Oversight Board, a standing committee of the President's Foreign Intelligence Advisory Board, has overall responsibility for oversight of intelligence agencies, and each agency either has an Inspector General internal to its own organization or is part of an organization with an Inspector General. Only the CIA has an independent statutory Inspector General. **The Commission recommends a comprehensive review of these arrangements by the Intelligence Oversight Board to ensure effective performance of the oversight function.**

Introduction

Background Leading to the Creation of the Commission

IN the euphoria that followed the collapse of communist regimes in Eastern Europe in 1989 and the dissolution of the Soviet Union in 1991, some wondered whether intelligence agencies would still be necessary. Gone was the Cold War's military threat to U.S. survival, and no comparable threat appeared on the horizon.

It was soon apparent, however, that significant, if lesser, threats remained. The 1991 Persian Gulf War quelled, for the time being, one such threat, and also signaled an expanded role for intelligence in modern warfare. Never before had intelligence been so closely integrated into combat operations with such devastating impact. The deployment of U.S. military forces into unanticipated situations in Somalia, Rwanda, and Haiti also imposed new demands on intelligence agencies. The discovery by U.S. intelligence in 1992 of the beginnings of a nuclear weapons program in North Korea reminded Americans of the need for continued vigilance.

But if intelligence was still needed, its focus remained unclear. Some of the rationales offered to the public, such as environmental intelligence, suggested that intelligence agencies might be looking for new missions to justify their existence. The uncertainty felt by the public was reflected to some degree in the reduced resource commitment that Congress was willing to make to the intelligence function. The dramatic rise in funding that had taken place in the 1980s came to an abrupt end in 1989, and it steadily decreased thereafter. Across-the-board personnel reductions were imposed as well.

At the same time, intelligence operations were being increasingly revealed to the public, and not always in flattering terms. The 1991 confirmation hearings of Robert Gates involved a wrenching examination of whether CIA analysis had been distorted for political purposes during the Reagan Administration. In the meantime, the public learned that most of the CIA's agents in Cuba and East Germany during the latter stages of the Cold War had, in fact, been controlled by the other side.

Within Congress, there was an early, but unsuccessful, attempt to direct organizational reform. In 1992, the chairmen of both congressional intelligence committees introduced similar legislation calling for major restructuring of intelligence agencies under a "Director of National Intelligence." At the same time, then DCI Gates instituted a series of internal task forces that produced recommendations for reform in a number of areas. While the work of these task forces did not result in major structural change, they did represent a substantial effort to adjust the operations of the Intelligence Community in the wake of the Cold War. In the face of the new DCI's actions, Congress backed away from more radical structural change and enacted legislation in 1992 that largely codified the authorities and responsibilities of the DCI under Executive branch policy.

After the 1992 presidential elections, a new DCI, R. James Woolsey, was appointed and continued many of the Gates reforms. The ensuing period did not, however, produce major structural change.

In the meantime, the series of revelations damaging to the CIA continued. Two lawsuits—one a class action suit by several hundred present and former female CIA employees—were filed alleging past sexual discrimination by the Agency. Both received extensive coverage in the media.

Then, in February 1994, a 30-year employee of the CIA, Aldrich H. Ames, and his wife, were arrested for spying for the Soviet Union and later for Russia. As information about the case began to surface, it became clear that Ames' disclosures, beginning in 1985, had resulted in monumental damage to the core of the Agency's operations—collection against the former Soviet Union. Ten of its most important Soviet sources had been executed; others were imprisoned. It also came to light that CIA had had considerable information indicating a potential security problem with Ames but had failed to pursue it adequately and had failed to bring the FBI into the case until late in the process.

When it came time to discipline those responsible for these failures, DCI Woolsey issued what were widely perceived as relatively mild punishments. The public began to question both the competence of the CIA to carry out its mission and the degree to which the management and employees of the Agency were held accountable.

As the implications of the Ames case were beginning to dawn on the public, it came to light that another intelligence agency, the National Reconnaissance Office, had built a new headquarters building in suburban Virginia under the cover of one of its contractors at a cost of over \$300 million. While the oversight committee in the House of Representatives said it had been advised of the project, members of the Senate oversight committee contended they had not been adequately informed. In any event, the public perception was that of an intelligence agency, acting in secret and without adequately informing the Congress, building a costly headquarters for itself at a time when the rest of government was drawing down. Reacting to the episode, Congress enacted legislation requiring specific notification of any new construction costing \$500,000 or more.¹

It was this background—

- ◆ the uncertainty with respect to what intelligence agencies should do in the wake of the Cold War;
- ◆ the perceived lack of a serious and comprehensive effort to bring about reform;
- ◆ the discomfort with the level of resources still committed to intelligence; and
- ◆ instances of apparent incompetence, mismanagement, and unaccountability among intelligence agencies,

that prompted the Congress to consider creating a commission on intelligence.

When the intelligence authorization bill came to the floor of the Senate in August 1994, an amendment proposing a bipartisan “Commission on the Roles and Capabilities of the U.S. Intelligence Community” was offered by the leaders of the Senate oversight committee. In the ensuing debate, Senators repeatedly cited the need for a new consensus where intelligence was concerned and the need to revalidate the intelligence function.²

¹ Intelligence Authorization Act For Fiscal Year 1995, § 602, 50 U.S.C. § 403-2b (Supp. 1995).

² 140 Cong. Rec. S11379-11389 (daily ed. Aug. 12, 1994). The amendment passed by a vote of 99-0.

The House of Representatives agreed to the Senate proposal with minor modifications. Conferees on the measure stated it was their intent “to produce a credible, independent, and objective review of the intelligence community.”³ The President signed the bill into law on October 14, 1994.⁴

The Commission and Its Work

The Commission on the Roles and Capabilities of the United States Intelligence Community was charged with reviewing “the efficacy and appropriateness” of U.S. intelligence activities in the “post-cold war global environment” and with preparing a report of its findings and recommendations to the President and the Congress. The law creating the Commission set forth 19 separate issues to be considered as part of its overall review.

A Commission of 17 members was established, consisting of nine members appointed by the President and eight appointed by the congressional leadership. Of the congressional appointments, four were to be appointed by the House (two by the Speaker and two by the Minority Leader) and four by the Senate (two by the Majority Leader and two by the Minority Leader). One of the two appointments made by each congressional leader had to be a sitting Member of their respective body. Of the nine presidential appointments, no more than five could be from the same political party, and no more than four could have previous intelligence experience. Thus, the Commission was designed to be a bipartisan body which brought to bear the perspectives of the Executive and Legislative branches as well as that of the private sector.

On November 29, 1994, then Speaker of the House Thomas Foley appointed Representative Norman D. Dicks of Washington and Tony Coelho of Virginia to the Commission. The following day, Senate Majority Leader George Mitchell appointed Senator J. James Exon of Nebraska and Wyche Fowler, Jr., of Georgia. On December 20, 1994, House Minority Leader Robert Michel appointed Representative Porter J. Goss of Florida and Robert E. Pursley of Connecticut to the Commission, and, on January 4, 1995, Senate Minority Leader Robert Dole appointed Senator John Warner of Virginia and David H. Dewhurst of Texas.

On February 3, 1995, President Clinton announced his appointments: Les Aspin of Wisconsin; Warren B. Rudman of New Hampshire; Zoë Baird of Connecticut; Ann Z. Caracristi of Washington, D.C.; Anthony S. Harrington of Washington, D.C.; Lew Allen, Jr. of California; Stephen Friedman of New York; Robert J. Hermann of Connecticut; and Paul D. Wolfowitz of Maryland. Commissioners Aspin and Rudman were designated Chairman and Vice Chairman, respectively.⁵ (A brief biographical statement of each member of the Commission can be found at Appendix G.)

³ H.R. Rep. No. 103-753, 103d Cong., 2d Sess. 65, reprinted in 1994 U.S.C.C.A.N. 2751, 2773.

⁴ Intelligence Authorization Act For Fiscal Year 1995, tit. IX, 50 U.S.C. § 401 note (Supp. 1995). Title IX is reprinted in its entirety at Appendix E.

⁵ At the invitation of Chairman Aspin, one member of the President’s Foreign Intelligence Advisory Board (PFIAB), Maurice Sonnenberg, also a member of the Commission on Protecting and Reducing Government Secrecy, served as a senior adviser to the Commission and took an active role in its work. Two other members of the PFIAB, Lois Rice and Sidney Drell, participated in some meetings.

The first meeting of the Commission took place on February 3, 1995. The Commission selected a staff director and established a meeting schedule for the forthcoming year. It officially began operations on March 1, 1995.

The Commission held regular monthly meetings, ordinarily two days in length, from March through December, 1995. Early meetings consisted of briefings by the Intelligence Community to educate the Commission on current organization and operations. These were followed by sessions with current and former users of intelligence, and by additional meetings with other knowledgeable persons, to discuss the strengths and weaknesses of the existing system and ideas about how various aspects of the intelligence business might be changed. In all, 84 witnesses provided formal testimony. (A list of the persons who appeared before the Commission can be found at Appendix C.)

Commission members supplemented these formal meetings with visits to intelligence facilities and military commands in the United States and overseas, as well as visits to a number of countries with which the United States has cooperative relationships in the intelligence area, to compare U.S. arrangements for intelligence with those of other governments and to explore further burdensharing, as provided by the Commission's charter.

To elicit additional opinion, the Commission staff conducted over 200 interviews of present and former government officials and knowledgeable persons from the media, academia, and industry. (A list of those interviewed by the staff can be found at Appendix D.) Individual Commissioners and the staff also received numerous factual briefings by representatives of the Intelligence Community.

The Commission also reviewed earlier studies of the Intelligence Community and received a wide range of opinion from private citizens, government contractors, professional associations, and other groups in the form of written statements, letters, articles, books, conference proceedings, and other materials. The Executive branch supplied voluminous documentary material.

In early May, separate task forces were formed to examine particular topics and make recommendations to the Commission as a whole. Commissioner Friedman led a task force on organization; Commissioner Baird, on law enforcement and intelligence; Commissioner Caracristi, on analysis; Commissioner Allen, on budget; and Commissioner Hermann, on space.

On May 21, 1995, almost four months into its work, the distinguished Chairman of the Commission, Les Aspin, died unexpectedly of a stroke. Commissioners Rudman and Harrington served as interim Chairman and Vice Chairman, respectively, until the President appointed Dr. Harold Brown of California to succeed Mr. Aspin as Chairman on July 13, 1995. Upon Dr. Brown's appointment, Mr. Rudman resumed his position as Vice Chairman.

On June 6, 1995, the Commission provided a detailed work plan, outlining the scope of its inquiry, to the congressional intelligence committees.

Beginning in September 1995, the Commission began to narrow its focus to particular issues and discuss possible options for dealing with them. Reports from the task forces were considered. By December, consensus had formed on most issues, and drafting of the

Commission's report began. The Commission met several times in January and February, 1996, to consider drafts of the report, and on February 2, 1996, by unanimous vote, approved its submission to the President and the Congress.

What is "Intelligence?"

Before one can assess the "efficacy and appropriateness" of U.S. intelligence activities in the post-Cold War era, it is essential to appreciate what distinguishes "intelligence" from other areas of government activity and how intelligence fits into the business of government.

Although "intelligence" is defined in law and Executive order,⁶ neither conveys a very clear understanding of the term. The Commission believes it preferable to define "intelligence" simply and broadly as information about "things foreign"—people, places, things, and events—needed by the Government for the conduct of its functions. Generally speaking, "intelligence" refers to information about "things foreign" that is not available to the Government through conventional means—in other words, to information collected by "secret" or clandestine means. But the work of "intelligence" also involves collecting and analyzing information available through conventional means to the extent needed to understand what is otherwise gathered by "secret" means.

Thus, "intelligence" may be contained in or derived from:

- ◆ publicly available sources, including foreign and domestic broadcast and print media, government or private publications, and information available over computer networks;
- ◆ personal observation or photographs taken by a person who is physically located at a particular point of interest;
- ◆ privileged communications that U.S. Government officials have with their counterparts in other governments or international organizations (which may contain information that is not publicly available);
- ◆ photographs taken from air or space of areas that are otherwise inaccessible to persons on the ground;
- ◆ the interception of electronic signals or emanations, or the measurement of the physical attributes of things on the ground or in the air; or
- ◆ persons who have access to places, persons, or things that are not otherwise available.

⁶ "Intelligence" is defined in 50 U.S.C. 401a to include foreign intelligence and counterintelligence. "Foreign intelligence" is defined as "information relating to the capabilities, intentions, or activities of foreign governments or elements thereof, foreign organizations, or foreign persons." The term "counterintelligence" is defined as "information gathered and activities conducted to protect against espionage, other intelligence activities, sabotage, or assassinations conducted by or on behalf of foreign governments or elements thereof, foreign organizations, or foreign persons, or international terrorist activities."

Every agency of the U.S. Government whose functions require involvement with foreign governments, entities, or persons—from the Department of State to the Department of Agriculture—collects and analyzes information needed to perform those functions. Typically, such information is gleaned from public sources available to these agencies and from their contacts with foreign counterparts and other substantive experts.

To acquire information about “things foreign” that is not obtainable through these conventional channels, federal agencies generally rely upon “intelligence agencies” that have capabilities and authorities not available to other federal agencies. Some cabinet departments have “intelligence agencies” as subsidiary elements, e.g. the Defense Intelligence Agency within the Department of Defense. Other federal agencies rely upon intelligence agencies that are either independent, like the Central Intelligence Agency (CIA), or belong to other departments.

Intelligence agencies have been created for a variety of reasons. One is cost. Sophisticated technical capabilities, such as satellite reconnaissance, are simply too expensive for every federal agency to have its own. Some intelligence agencies were created to centralize control over activities that were especially sensitive (e.g. running human agents in foreign countries) to facilitate protection of these activities, and to prevent political embarrassment to the United States. Other elements were created to provide analytical objectivity or responsiveness. Some, including the CIA, were created for a combination of these reasons.

Whatever skills or capabilities they might contribute, intelligence agencies, as a whole, have historically shared a common purpose: to collect information that is not otherwise available to the Government, combine it with information that is available, and produce analysis based upon both kinds of sources for the benefit of the Government. Put another way, intelligence agencies have attempted to provide the Government with information and insight it would not otherwise receive, to reduce the uncertainty of decision-making.

The President and his chief defense and foreign policy advisers are usually seen as the principal users of intelligence information. In fact, literally tens of thousands of users belonging to an array of federal agencies (and their contractor support base) have daily access to intelligence information. From the diplomat or trade specialist conducting negotiations, to the Pentagon analyst designing military force structures, to commanders in the field who must deploy and target highly sophisticated weapons, to the scientist developing the latest military hardware, intelligence is routinely factored into their decisionmaking. The value of this information to particular users will necessarily depend on its accuracy, its relevance, and its timeliness.

Ultimately, the user is left to make a decision based on the information available. Not infrequently, his or her chosen course of action is dictated by considerations other than the judgments reached by intelligence agencies. This does not mean that intelligence has “failed.” While the value of intelligence is obviously greatest when it provides the basis for action by a particular user, it also has value as part of a decisionmaking process repeated hundreds, if not thousands, of times daily by employees and contractors of the Government.

Intelligence has been a function of the Government literally since the beginning of the Republic. George Washington put intelligence to decisive military use during the American Revolution, and when he became President, persuaded Congress to create a special fund from which intelligence operations could be financed. Intelligence has been an integral part of U.S. military operations ever since. Both the Union and the Confederacy used intelligence extensively during the Civil War. During the 1880s, intelligence was formally institutionalized as part of U.S. peacetime military planning. The first advanced signals intelligence capability was established just prior to World War I. World War II spurred far more substantial growth as the need to support U.S. combat forces in Europe and the Pacific necessitated the creation of new capabilities as well as partnerships with allied countries. A detailed summary of the historical evolution of U.S. intelligence from Washington's presidency the present day is included at Appendix A. It demonstrates that while intelligence came of age during the Cold War era, it has to some degree been a function of the U.S. Government since its very inception.

The Commission's Report

The mandate of the Commission was to produce a report that dealt with the roles and capabilities of intelligence agencies. It was not chartered to perform an oversight inquiry into alleged improprieties of wrongdoing. In assessing those roles and capabilities, the Commission attempted to limit itself to overarching issues. Given the limited amount of time and resources at its disposal, there was no practical alternative.

Many perceived problems were brought to our attention by the hundreds of people who communicated with us. On examination, some did not appear problems at all, or, if they were problems, intelligence agencies appeared to be taking appropriate steps to deal with them. Similarly, the Commission was presented with a wide range of suggested solutions. The Commission considered them all, from the most extreme (e.g. abolishing intelligence agencies altogether) to retaining the status quo. Nothing was regarded as "off-the-table." The Commission did not approach its task as recommending change for the sake of change, however.

In the report that follows, the recommendations of the Commission are numbered and set out in bold type in each chapter. Key findings and conclusions are set out in bold italics.

At the request of the Commission, security experts from the Intelligence Community reviewed the report for security concerns immediately prior to printing but the substance of the Commission's findings and recommendations did not change as a result of this review.

Finally, the Commission prepared draft documents to implement its recommendations, which are being transmitted separately to the President and to the congressional intelligence committees.

The Need to Maintain an Intelligence Capability

THAT the United States should maintain an intelligence capability after the Cold War is not a matter in serious dispute. The world of the 21st century is likely to be as fraught with peril and uncertainty as the world left behind.

The United States finds itself in a predominant leadership role, whether sought or not, and the exercise of that leadership has become more complicated. New forces are at work and new dynamics at play. The Government must understand them in order to respond to them. Often the options available to it will depend upon how early problems are identified. Choosing the right option, in turn, will depend upon knowing what the consequences are apt to be. Once a course is chosen, it becomes important to know what the effects of the decision have been so that adjustments can be made if necessary. In every instance, making the right choice will hinge upon the quality of the information available.

The volume of information openly available to the Government in the media and over computer networks has exploded in recent years, a trend which will continue. Yet intelligence capabilities will continue to be needed to collect information that is not available through conventional means. Once such information is obtained, analytical capabilities will be needed to combine it with the rapidly proliferating information available from other sources and seek to produce an objective assessment free of policy predilections.

Where the process works, intelligence provides information and insights that are unique, reducing the uncertainty of decisionmaking at all levels—from the President to the infantry platoon leader wondering what lies over the next hill. With it, there is a better chance of avoiding crisis or war, of success on the battlefield, of reaching and enforcing international agreements, of investing in the right military capabilities, and of protecting U.S. interests at home and abroad.

There will inevitably be a considerable body of information bearing on matters such as these that is not available to the U.S. Government through conventional means. The reasons for this are apparent:

- ◆ Some governments will seek to deny access to their territory to the outside world.
- ◆ Countries that plan hostile actions against others will seldom announce their intentions in advance and will try to conceal their preparations.
- ◆ Most countries will not provide detailed public accountings of their military capabilities or their plans for developing such capabilities.
- ◆ Once military forces have been deployed against the U.S. or its allies, adversaries will attempt to conceal their plans and intentions as well as the size, composition, and disposition of their forces.

Chapter 1

- ◆ Countries that violate international treaties, United Nations resolutions, or international norms of conduct will ordinarily conceal their actions.
- ◆ Governments involved in diplomatic negotiations with the U.S. will not ordinarily reveal their strategies and objectives.
- ◆ Illicit activities such as terrorism, drug trafficking, and espionage will be carried out in the shadows, not in the open.
- ◆ Environmental and humanitarian disasters will occur in places that are not readily accessible and require information beyond the ability of observers on the ground to collect.

There are limits to what intelligence can provide. Intelligence may be able to collect “secrets” (information that is knowable but hidden) but some information will necessarily remain “mysteries”—it simply cannot be known. What a foreign leader is thinking, for example, cannot be known unless the leader makes it known. Whether the same foreign leader will be in power in a year’s time is a “mystery” only time will reveal.

The efforts of some countries to conceal their plans and activities will succeed despite the best efforts to learn of them. No matter how many collection capabilities U.S. intelligence deploys, relevant information will be missed. Human agents will not have access to what is needed. Technical systems will not be in the right place at the right time or will focus on the wrong target or will simply be thwarted by bad weather. Even if relevant information is physically acquired by technical systems, it may not be processed in a manner that permits analysts to identify or use it.

Analysis is subject to similar foibles. It may be based on intelligence that proves inaccurate or unreliable or fails to take into account all of the available information. It may address the wrong issue or reach the wrong conclusions or reach the policymaker too late to influence the decision at hand.

One should not expect perfection. Intelligence is simply a hedge against uninformed decisionmaking, and even the most sophisticated of collection systems and analytical talent cannot provide guarantees.

Compared with the rest of the world, the intelligence capabilities of the United States are immense. No other country devotes as many resources to this type of activity. Billions of dollars have gone into building sophisticated technical systems over the last 50 years, and billions more will be required to replace these systems as they are lost or worn out or become obsolete or ineffective. Substantial sums are also required simply to operate them and keep pace with developments in technology. For all but a few countries, the cost of mounting an intelligence capability on a scale approaching that of the United States is prohibitive. While a number of governments are exploring investments in expanded intelligence capabilities, the preeminence of the United States in this field is not likely to be challenged, if we choose to maintain our advantage.

Precisely because of this position of strength, however, some believe the United States can afford to cut back its intelligence capabilities, at least until the next war or crisis comes along. But these are not capabilities that, if abandoned or allowed to wither, can easily or quickly be resuscitated. Whether a satellite system or a human agent is involved, neither can be developed and deployed without a significant investment of effort and years of time. Both are dependent upon large and competent infrastructures, and such infrastructures cannot be maintained without a degree of permanence and commitment.

Others believe U.S. intelligence activities should be cut back or eliminated because they perceive their overall contribution to policymaking to have been marginal, even, at times, negative. When considered in terms of its substantial cost and the frequency with which it has been a source of political embarrassment to the United States, the advocates of this view conclude, intelligence is not worth the candle. Others question the competence of U.S. intelligence agencies—in particular, the CIA—to carry out their missions. While the Ames spy case demonstrated the CIA’s inability to detect a relatively clumsy spy who compromised the core of its Soviet operations, it was but the worst in a series of operational failures experienced by the CIA and other intelligence agencies, most of which at one time or another have suffered severe losses due to spies in their midst. Others fault intelligence agencies for “gold-plating” their facilities, wasting government funds, and keeping their overseers in the dark.

As noted in the Introduction, there have been problems, especially at the CIA, some of which have been substantial. While these episodes are deplorable, using them to justify cutting back or eliminating intelligence capabilities is a leap the Commission is unwilling to make. Problems are, to some degree, unavoidable where intelligence activities are concerned, despite the best of intentions or management structures. Operations will, on occasion, be compromised despite reasonable precautions being taken. Mistakes will occur either as a result of poor judgment or individual incompetence. This is not to excuse or minimize such failures, or to suggest that every reasonable effort should not be made to prevent them, but only to recognize that problems to some extent are inevitable and, in the United States more so than in other countries, will continue to be highly publicized. The issue is whether the benefits justify the costs, including the problems which inevitably will occur.

For the public, this is particularly difficult to assess. Over the years, Americans have been exposed principally to the failures of intelligence and are largely oblivious of its successes. The Commission, on the other hand, has seen both. While failures have occurred too often, they have hardly been the norm. The accomplishments of U.S. intelligence have been, and continue to be, impressive. The details of specific cases cannot be made public without raising security concerns, but the following examples, *all occurring since the Cold War ended*, illustrate how U.S. intelligence serves the nation’s interests:

- ◆ U.S. intelligence uncovered the first evidence suggesting that North Korea was planning to construct a nuclear weapons capability and supported the subsequent diplomatic efforts to restrain and end such activities.
- ◆ In at least two cases, with the help of U.S. intelligence, the sale of radioactive materials that could be used in the production of nuclear weapons was halted by other governments.

Chapter 1

- ◆ Since 1990, U.S. intelligence has uncovered the clandestine efforts of several countries to acquire weapons of mass destruction and their related delivery systems. In some cases, this information provided the basis for diplomatic actions by the United States and by the United Nations to counter such efforts.
- ◆ U.S. intelligence played a crucial role in supporting U.S. combat operations in Panama and the Persian Gulf by collecting information on the size, capabilities and location of hostile forces, providing information which permitted the targeting of precision-guided weapons, assessing the damage inflicted by U.S. and allied aircraft, and warning of threats to the security of U.S. and allied forces.
- ◆ The deployment of U.S. military forces to Somalia, Rwanda, Haiti, and Bosnia to perform other than combat missions similarly received the vigorous support of intelligence agencies, which provided information on threats to the security of U.S. forces as well as on local conditions.
- ◆ U.S. intelligence played a key role in the rescue of the downed American pilot in Bosnia.
- ◆ U.S. intelligence provided support key to the U.S. side in numerous bilateral and multilateral negotiations.
- ◆ U.S. intelligence has played an instrumental role in the efforts of the Colombian government to break up the Cali drug cartel, including the arrest and/or capture of its leaders, and, in other cases, provided information which kept drug shipments from reaching the United States.
- ◆ U.S. intelligence has played key roles in helping other countries identify and/or arrest several notorious terrorists, including Carlos the Jackal in Sudan, the alleged ringleader of the World Trade Center bombing in the Phillippines, the head of the Shining Path terrorist group in Peru, and those involved in the bombing of Pan Am 103.
- ◆ On at least two occasions, U.S. intelligence provided information that led to successful U.S. diplomatic efforts to head off potential armed conflicts between two countries.
- ◆ Information was provided by U.S. intelligence on two occasions which foiled assassination plots abroad and led to the arrest of the perpetrators.
- ◆ In several instances, U.S. intelligence uncovered foreign competitors of U.S. commercial firms using bribery and other illegal tactics to obtain contracts with foreign governments. Diplomatic intervention with the government concerned to assure a “level playing field” eventually led to a U.S. firm obtaining the contract by winning the competition.

- ◆ U.S. intelligence has identified violations of military and trade sanctions imposed by the United Nations in connection with the situations in Iraq and Bosnia, and provided the principal capability for monitoring the “no-fly” zones in both countries.
- ◆ On several occasions, U.S. intelligence provided information warning of financial collapse in other countries, leading to actions by the United States and other governments.
- ◆ U.S. intelligence has provided information with respect to human rights abuses and election-rigging by certain governments which has altered the U.S. diplomatic posture towards those governments.
- ◆ U.S. intelligence has provided information about the military capabilities of other governments that has altered the research and development of U.S. weapons systems, providing potential cost savings and improving their effectiveness.
- ◆ U.S. intelligence has provided information to civil authorities in the United States, as well as in other countries, to help cope with natural disasters, environmental problems, and humanitarian crises.
- ◆ U.S. intelligence has supported United Nations’ peacekeeping and other operations around the world.
- ◆ Considerable information has been provided by U.S. intelligence to the Bosnia War Crimes Tribunal.

It is impossible to quantify the accomplishments of U.S. intelligence of which these are examples. Clearly, however, over the last five years conflicts have been avoided, wars shortened, agreements reached, costs reduced, and lives saved as a result of the information produced by U.S. intelligence.

The United States had such information only because it chose to maintain a dedicated and capable intelligence apparatus. While that apparatus is expensive and will from time to time be a source of embarrassment, even consternation, the Commission has no difficulty reaching the conclusion that it is justified. Intelligence is an important element of national strength. The country should not lose sight of this amid the spy scandals and management failures of recent years. The performance of intelligence can be improved. It can be made more efficient. But it must be preserved.

The Role of Intelligence

WITH the end of the Cold War and the reduced need to focus on the former Soviet Union, many observers believed that the Intelligence Community was looking for new missions to justify its existence. The Commission found, to the contrary, that the core missions of U.S. intelligence have remained relatively constant. There has been a substantial shift in intelligence requirements and priorities away from Cold War targets, but the missions intelligence agencies are expected to perform have not changed dramatically with the end of the Cold War.

This is not to suggest that the functions and missions of intelligence should not, or will not, change. Each administration should set the guidelines for intelligence activities and, within these guidelines, establish in a timely fashion specific requirements and priorities for the conduct of those activities. These will fluctuate according to the world situation, the availability of resources, and the needs of the Government. Such fluctuations make it essential that senior policymakers devote frequent, if not constant, attention to updating the priorities and collection capabilities that will ensure that the United States retains a strong national security posture. (Chapter 3 discusses how such a process might work.)

This chapter outlines the key functions of intelligence and concludes with a list of what the Commission sees as appropriate missions for U.S. intelligence as the country enters the 21st century.

The Functions of Intelligence

U.S. intelligence has two broad functions—collection and analysis—and one relatively narrow one, covert action. An additional function—counterintelligence—is integral to the entire intelligence process. While the need for collection and analysis is generally understood and accepted, there is less acceptance of covert action as an appropriate intelligence function and less understanding of the critical importance of counterintelligence.

Collection

Collection, as a function of intelligence, appears straightforward, and its necessity is not seriously challenged. Through various means, intelligence agencies collect information about foreign persons, places, events, and activities that is needed by the U.S. Government but cannot be (or is not easily) obtained through publicly available sources or diplomatic contacts.

In practice, however, this role involves numerous complexities. For example, intelligence analysts need publicly available information to perform analysis, identify gaps in their knowledge, and to task intelligence collectors. Do intelligence agencies “collect” publicly available information as well? Do intelligence agencies attempt to collect information to meet the needs of *any* Government official? Does anyone confirm that the need exists, i.e. that the information is not otherwise available to the Government, or that the

need, if it does exist, justifies using expensive and/or risky intelligence capabilities to obtain it? What if intelligence officials know in advance that what they can collect will be of marginal value compared to what can be obtained from public sources? Do they still attempt to collect it? What if the information being sought pertains to a friendly or allied foreign government? Do intelligence agencies undertake collection activities regardless of their potential political cost?

Intelligence managers in each of the principal collection disciplines—signals intelligence (SIGINT), imagery intelligence (IMINT) and human intelligence (HUMINT)—confront such questions daily. To address these issues, elaborate collection management systems exist for each of the disciplines that establish validated requirements and priorities (further described in Chapter 3). Together, intelligence professionals and representatives from the policy agencies attempt to weigh competing requirements, assess the availability of relevant open source material, and address the issues raised by the questions above.

The Commission believes that intelligence collection systems, technical or human, normally should not be used for the purpose of collecting publicly available information, although publicly available information will often be collected as a collateral byproduct in the course of intelligence-gathering. To the extent that publicly available information is needed to support intelligence analysis and collection, it should ordinarily be obtained by intelligence agencies through other than clandestine means. Indeed, the collection of publicly available information should be considered a support function rather than a task for intelligence collection. There will be times, however, when information is “publicly” available but not readily accessible (for example, newspapers or radio broadcasts in North Korea or Iraq), and intelligence collection capabilities provide the only means to obtain it.

Intelligence collection capabilities, technical or human, also should be used only to collect information that can reasonably be determined, or that has been previously validated, to be of importance to a specific policymaker or intelligence user.

Finally, all intelligence collection must be weighed in terms of overall U.S. foreign policy interests. When collection activities are contemplated against allied or friendly governments, there should be a rigorous weighing of the political costs against the benefits. Senior policy officials must be involved in this process.

Analysis

The analytical function raises similar practical issues. In theory, intelligence analysts take information provided by perhaps all three collection disciplines, combine it with information from publicly available sources, and produce “all source” analysis for the customer. Because the analysis contains information obtained by intelligence sources, it is typically classified.

Because intelligence analysts have ready access to information from a wide range of publicly available sources, the question arises whether they should provide analysis based exclusively on such open sources if no significant intelligence is available on the subject.

Also, if the analyst knows in advance that information obtained through intelligence will provide little of relevance to the overall analysis of a subject, should he or she nevertheless attempt to satisfy the request of a customer for an “all source” analysis? If an analyst accepts a request but finds the information produced by intelligence sources is marginal and the request can be satisfied by publicly available information, should he or she still produce an analytical assessment, or advise the customer to go elsewhere? If produced, should the assessment be classified simply because it was done by an intelligence agency? The Commission found that in practice, these issues are worked out on an *ad hoc* basis between analysts and their customers.

The Commission believes that intelligence agencies should not satisfy requests for analysis when such analysis could be readily accomplished using publicly available sources, unless for some reason the results of such analysis would require confidentiality or the specific expertise of the analyst would add significantly to the analysis of the open source material. For example, a personality profile prepared on a friendly foreign leader might be taken entirely from public sources but nonetheless require confidential handling.

*The Commission also believes that in general intelligence agencies should not accept requests for analysis when it is clear in advance that the information available from intelligence sources would have marginal impact on a particular analysis, unless there are special circumstances present that necessitate handling the request as an intelligence matter.*¹

Covert Action

Covert actions (as distinguished from the covert *collection* of information) are used to *influence* political, military, or economic conditions or situations abroad, where it is intended that the role of the U.S. Government will not be apparent or acknowledged publicly. These might consist of propaganda activities, support to political or military factions within a particular country, technical and logistical assistance to other governments to deal with problems within their countries, or actions undertaken to disrupt illicit activities that threaten U.S. interests, e.g. terrorism or narcotics trafficking. Such actions complement and supplement parallel overt measures (e.g., diplomacy, trade sanctions, or military activities) undertaken by the Executive branch. By law, covert actions can be undertaken only in support of an “identifiable” foreign policy objective.

Responsibility for carrying out covert actions rests with the CIA, whose Director is charged by the National Security Act of 1947 to “perform such other functions and duties related to intelligence affecting the national security as the President or the National Security Council may direct.” By Executive Order, CIA alone is specifically authorized to undertake covert actions that are individually authorized by the President, although other departments and agencies may also be directed to undertake or support covert actions as the President may authorize.

¹ In Chapter 8, the Commission proposes the creation of a new, broadly based analytical entity in which intelligence analysts would participate, that would prepare unclassified assessments as well as assessments where the intelligence contribution is expected to be marginal. However, the preparation of such assessments is not envisioned as a function of intelligence analysis generally.

Chapter 2

Since the end of the Cold War, the number and size of covert action programs have shrunk substantially, reflecting the extent to which they were prompted by the superpower struggle. Nonetheless, these programs continue to be undertaken to support ongoing policy needs.

The Commission addressed whether the United States should undertake covert action at all. Some witnesses expressed the view that there is no longer a need for covert action, and that, on balance, it has caused more problems for the United States than it has solved. The Government, they argue, has been frequently embarrassed by such operations and been criticized domestically and abroad as a result. Also, it is argued, covert actions comprise a minute part of the intelligence budget, but require a disproportionate share of management and oversight.

Most witnesses, however, including all of the former cabinet-level officials who addressed the subject, believed it essential for the President to maintain covert action as an option. Citing examples such as the need to disrupt the activities of a terrorist group, hamper the efforts of a rogue state to develop weapons of mass destruction, or prevent narcotics traffickers from manufacturing drugs for shipment into the United States, the proponents argue that the United States should maintain a capability short of military action to achieve its objectives when diplomacy alone cannot do the job.

In 1975, the Rockefeller Commission investigated alleged abuses in certain covert action programs and concluded that there were “many risks and dangers associated with covert action...but we must live in the world we find, not the world we might wish ... [Therefore] covert action cannot be abandoned, but ... should be employed only where clearly essential to vital U.S. purposes and then only after a careful process of high level review.” ***This Commission strongly concurs with this conclusion. Moreover, the Commission notes that the laws governing covert actions do contemplate a “careful process of high level review,” including approval by the President and notification to Congress.***²

² The legal framework for approval and reporting of covert action, originally enacted in 1974 by the Hughes Ryan Amendment to the Foreign Assistance Act of 1961, is now set forth in Sections 503 and 504 of the National Security Act of 1947 and 50 U.S.C. 413b and 414. These provisions prohibit any department or agency from expending any funds to engage in a covert action unless the President has signed a written “finding” determining that the covert action is “necessary to support identifiable foreign policy objectives of the United States and is important to the national security of the United States.” The President is required to ensure that the congressional intelligence committees are notified as soon as possible after a finding is signed, except if the President determines that “it is essential to limit access to a finding to meet extraordinary circumstances affecting vital interests of the United States, the finding may be reported only to the four leaders of the congressional intelligence committees and the four leaders of the House and Senate.”

The established approval process includes a review of the proposed covert action by the Deputies Committee of the National Security Council (including senior policy representatives from the Departments of State, Defense, Justice, and Treasury, the Joint Chiefs of Staff, and the Office of Management and Budget, as well as the President’s National Security Advisor) to ensure that the action is consistent with U.S. policy, is appropriate in scope for the situation, does not violate U.S. law and is properly funded. The covert action proposal is then submitted to the full NSC for approval and ultimately to the President for signature. Currently, ongoing covert actions are re-validated each year by the NSC to ensure that they remain necessary to the national security and are supportive of U.S. foreign policy objectives.

This Commission believes that covert action must be consistent with specific U.S. foreign policy objectives in the targeted area. Covert actions should be undertaken only where there is a compelling reason why U.S. involvement cannot be disclosed. Further, the range of covert action options should be weighed to ensure that the methods employed are only as aggressive as needed to accomplish the objective(s). The costs of disclosure must be carefully assessed, and, where such costs are significant, the operation should be initiated only in the most compelling circumstances.

Some witnesses recommended that paramilitary covert actions—which typically involve arming, training and/or advising foreign forces—be conducted by the Department of Defense rather than the CIA. These individuals argued that the military is better equipped than the CIA to carry out such operations. Others argued that it is neither feasible nor desirable for U.S. military personnel to undertake such covert activities.

The Commission concludes that responsibility for paramilitary covert actions should remain with the CIA. CIA has extraordinary legal authorities and an existing infrastructure that permit the secure conduct of clandestine operations, whereas the military does not. Giving this function to the military would also involve it in a controversial role that would divert attention from other important responsibilities. The military should provide support to paramilitary covert actions as needed but should not be given responsibility for them.

With respect to any changes needed to improve the existing capability, the Commission notes only that covert action programs of the future are apt increasingly to involve technologies and skills that do not appear to exist within the current infrastructure. More attention should be given to these deficiencies.

Counterintelligence

The counterintelligence function involves protecting the country, as well as intelligence agencies, from the activities of foreign intelligence services. The Federal Bureau of Investigation (FBI) has principal responsibility for countering the activities of foreign intelligence services within the United States in order to protect both classified U.S. Government information and proprietary information held by U.S. industry. The CIA is responsible for coordinating U.S. counterintelligence activities abroad. Each of the military departments also has a counterintelligence element that operates domestically and overseas.

Each of these elements has offensive and defensive missions. Offensively, they attempt to recruit agents within foreign intelligence services to ascertain what, if any, operations are being undertaken against the United States; they monitor the activities of known or suspected agents of foreign intelligence services; and they undertake operations to ascertain the targets and *modus operandi* of foreign intelligence services. Defensively, they investigate cases of suspected espionage and prepare analyses for government and industry concerning the foreign intelligence threat. The FBI has principal jurisdiction to investigate suspected espionage within the United States, although all

intelligence agencies maintain internal capabilities to undertake preliminary inquiries of their own employees. Military counterintelligence elements have concurrent jurisdiction to carry out counterintelligence investigations of their respective military personnel.

Counterintelligence, as a function of intelligence agencies, however, goes much beyond detecting and monitoring the activities of foreign intelligence services and investigating employees suspected of espionage. Counterintelligence is an integral part of the entire intelligence process. All agencies that undertake intelligence collection, whether through human or technical means, must be constantly on guard that what they are collecting is genuine. This requires continuous evaluation of their sources as well as the information gathered from them. Intelligence analysts who are familiar with the totality of information on a particular topic are often in a position to detect anomalies.

Historically, intelligence agencies have not performed this crucial function very well. Virtually all have suffered severe losses due to a failure to recognize anomalous behavior on the part of their own employees. Some have also had problems recognizing anomalies in the behavior of their sources or in the appearance or actions of their targets. The Ames spy case revealed serious shortcomings in both categories.

In the wake of the Ames case, the Intelligence Community made sweeping changes to its counterintelligence infrastructure. A new policy board, reporting to the Assistant to the President for National Security Affairs, was established to coordinate counterintelligence activities and resolve interagency disagreements, and a “national counterintelligence center” was created to share and evaluate information regarding foreign intelligence threats. In addition, the CIA made numerous improvements to its counterintelligence and security posture. (CIA’s actions are discussed further in Chapter 6.)

Perhaps more than any other function of intelligence, counterintelligence has undergone the most significant change over the last two years. The question is whether these changes will have a long-term positive effect. The Commission believes it is still too early to evaluate this issue.

Because counterintelligence is so crucial to the success of the entire enterprise, however, the Intelligence Community must sustain the renewed emphasis recently placed on this function. Counterintelligence must be viewed not as an annoying intrusion but rather as an integral part of the intelligence process. It must focus not only on protecting our own sensitive information, but equally on efforts to manipulate our collection and analysis, through double agents or other means. This requires a certain openness of mind and a willingness continually to balance the conclusions drawn from intelligence with the possibility of deliberate deception by a target.

The Missions of Intelligence

In this section, the Commission identifies what it believes are necessary and appropriate missions for the Intelligence Community as it enters the 21st century. Many are traditional missions that require little explanation. A few, however, raise issues needing elaboration.

Support to American Diplomacy

The United States emerged from the Cold War as the world's only multidimensional (e.g. military, economic, and political) "superpower." It will have global commitments and global interests for the foreseeable future. Supporting American diplomats and foreign policy decisionmakers will continue to be a principal mission for U.S. intelligence.

This support entails providing advance warning of developments in other countries that will or could affect U.S. interests. Such advance warnings give U.S. policymakers the time to frame an appropriate response and, if possible, to avoid conflicts that might require the introduction of U.S. forces.

Intelligence can also provide information that assists policymakers in determining which of several diplomatic steps may be most effective. Ideally, the best intelligence is precisely that information that provides U.S. policymakers with the leverage to achieve U.S. objectives in international affairs without the commitment of U.S. forces. Intelligence also provides information that serves as the basis for U.S. diplomatic initiatives in bilateral and multilateral treaty negotiations.

Support to Monitoring of Treaties and Other Agreements

Intelligence is also essential for monitoring the multitude of treaties, agreements, and sanctions to which the U.S. is a party or has an interest, for example, the dismantlement of the nuclear arsenal of the former Soviet Union, economic sanctions against Iraq and other countries, and agreements prohibiting the proliferation of weapons of mass destruction.

Support to Military Operations

Another traditional mission of the Intelligence Community is to provide support to U.S. military operations. This mission encompasses not only warning of attack on U.S. territory and installations, but also providing information needed to plan for and carry out military operations of all kinds. In the past, this has largely involved the provision of order of battle information on opposing military forces: their size, nature, location, morale and capabilities. In recent years, however, this mission has been rapidly expanding.

U.S. military operations since the Cold War have been carried out largely in the context of multilateral commitments of forces, increasing the need for joint planning and execution. Ironically, the number of occasions where U.S. military forces have been deployed outside the United States since the Cold War has greatly exceeded the rate of such deployments during the Cold War. Moreover, neither the location of such deployments, e.g. Panama, Somalia, Rwanda, Haiti, nor their purposes, e.g. preventing famine or genocide, "nation building," emergency evacuations, were typical of the Cold War period.

Recent years have also seen radical change in the nature of warfare. The 1991 Persian Gulf war lasted only a few weeks, but signaled a quantum leap in U.S. military capability. The world saw U.S. weapons fired from aircraft, ships, and land batteries far from the point of impact and delivered with pinpoint precision and devastating consequences. The war ended quickly, and U.S. casualties were minimal.

To a large degree, American success in the Persian Gulf war was due to information provided by intelligence systems both at the national and tactical levels. While achieving timely dissemination of such information was not without its problems, never before had so much information been gathered and relayed to a combat force so rapidly with such effect. The military began to look even more seriously at how intelligence capabilities could be brought to bear on their problems.

The Commission notes that the President recently issued a directive making support to military operations the highest priority for U.S. intelligence agencies. *While the Commission agrees that the protection of U.S. lives is paramount and that the support of U.S. forces in, or with the prospect of, combat, is of the highest priority, we believe it equally important, to this end, to have intelligence that allows the United States to achieve its goals and yet avoid the commitment of military forces, whether that is accomplished through diplomatic action or other means.*

Support to Defense Planning

U.S. intelligence should also continue to support defense planning, another traditional mission. This mission entails providing information on foreign military capabilities in order for defense planners to shape the size, nature, and disposition of U.S. military forces. It also includes necessary information to guide military research and development activities and future military acquisition decisions. It encompasses information about foreign military tactics and capabilities, which can then be used to train and protect U.S. forces.

Economic Intelligence

The Intelligence Community has collected and analyzed economic information for close to fifty years. This activity focused on those areas that could affect U.S. national interests, including the economies of foreign countries, worldwide economic trends, and information to support trade negotiations. While much of this information was available from public sources, there were many countries where such information was restricted or not readily available. Intelligence filled a considerable void.

Now, after the Cold War, far more economic information is openly available, causing some to urge that the Intelligence Community abandon or cut back its historical role in economic intelligence, particularly macroeconomic collection and analysis. Some recipients of this analysis complain that it adds little to what they already know. Intelligence analysts concede that approximately 95 percent of the analysis on economic topics now comes from open sources. Policymakers have access to these sources and often have more sophisticated analytical capabilities at their disposal than does the Intelligence Community. Clearly, if the policymaker can satisfy his or her needs from these sources, he or she should do so.

On the other hand, there remains the five percent added by intelligence. Reliable information about economic conditions in certain countries continues to be unavailable. In these cases, accurate information could be crucial to decisionmaking. In some contexts, policy

agencies may need to rely on intelligence agencies to perform economic analysis to preserve confidentiality even if open sources form the principal basis of such analysis, for example, in supporting trade negotiations.

The Commission believes that the collection and analysis of economic intelligence are missions that require particularly close coordination between producers and consumers in order to ensure that the intelligence contribution adds analytical value. While the Commission believes the overall mission remains valid, it may be possible to decrease the level of effort in this area by relying more heavily on open source analysis produced by academia or the commercial sector.

At the same time, the United States and other countries have taken more aggressive steps to promote their commercial interests abroad, both to increase domestic prosperity and to strengthen their national security. The fear of becoming commercially disadvantaged and the desire to “level the playing field” have motivated a surge of multilateral and bilateral trade agreements in recent years. In the United States, the issue of economic competition has also focused attention upon the proper role of intelligence in promoting U.S. commercial interests abroad.

While other countries have used their intelligence services to spy on U.S. and foreign businesses for the benefit of their national industries, U.S. intelligence agencies are not tasked to engage in “industrial espionage,” i.e. obtaining trade secrets for the benefit of a U.S. company or companies.

Increasingly, however, the Intelligence Community has become involved in identifying situations abroad where U.S. commercial firms are being placed at a competitive disadvantage as a result of unscrupulous actions, e.g. bribery and “kickbacks,” undertaken by their foreign competitors. When intelligence agencies discover such cases, they advise the Departments of State and Commerce, whose officers may then choose to take diplomatic action with the government concerned to correct the situation. The Commission was advised that on the basis of such diplomatic actions over the last three years, American firms had obtained billions in foreign contracts they would otherwise have lost.

Several friendly foreign governments have questioned this practice, suggesting that using U.S. intelligence services in this manner was inappropriate and could damage the bilateral relationship. Presumably, these governments had in mind cases where their own commercial firms might be involved in “tilting the playing field.”

The Commission strongly agrees with the current policy and practice prohibiting intelligence agencies from clandestinely collecting proprietary information of foreign commercial firms to benefit private firms in the United States. The role of the Intelligence Community is to provide support to the Government, not to the private sector. However, where intelligence agencies obtain information that U.S. commercial firms, through unfair trade practices such as bribery or “kickbacks,” are being placed at a disadvantage in obtaining a contract with a foreign government, or where a foreign government is otherwise involved in the transaction, the Commission believes intelligence agencies should continue to report such information to the Departments of State and

Commerce. These departments would be responsible for determining whether and how the intelligence information is used, taking into account, among other things, its effect on the bilateral relationship concerned.

Countering Activities Abroad That Threaten U.S. Interests

For the last ten years, U.S. intelligence has been particularly active in collecting and analyzing information to counter certain “transnational activities” that threaten the lives of U.S. citizens, U.S. installations abroad, and U.S. national interests. These newer missions include:

- ◆ **Counterterrorism.** Intelligence efforts focus on identifying threats to the United States and its citizens and facilities abroad, but also frequently provide warning to other countries of terrorist activities within their territory.
- ◆ **Counternarcotics.** Intelligence seeks to provide information to U.S. drug enforcement authorities to prevent drug shipments from reaching the United States and to assist other governments in shutting down production in countries where illegal drugs destined for the United States are produced.
- ◆ **Counterproliferation.** Intelligence agencies provide information on at least 20 nations that have developed, or may be developing, weapons of mass destruction, and/or ballistic missile systems to deliver such weapons. Some of these nations have a record of hostile intent towards the United States. Intelligence agencies attempt to identify efforts by other countries to build or acquire such weapons and/or their delivery systems where they violate international law or threaten U.S. interests. On occasion, intelligence agencies participate in actions to prevent such activities from taking place.
- ◆ **Countering International Organized Crime.** Intelligence focuses upon international organized crime principally as a threat to U.S. domestic interests, attempting to identify efforts to smuggle aliens into the United States, counterfeit U.S. currency, perpetrate fraud on U.S. financial institutions, or violate U.S. intellectual property laws. It also attempts to assess international organized crime in terms of its influence upon the political systems of the countries where it operates.

In all of these cases, intelligence information has provided the basis for U.S. diplomatic initiatives, supported U.S. law enforcement efforts to prevent and prosecute such activities, served as the basis for military responses in some cases, and has often been key to the efforts of other governments to bring such activities under control. Frequently, intelligence agencies provide assistance to other governments beyond mere information, for example, by providing training or specialized equipment to cope with certain threats. On occasion, intelligence agencies are authorized to undertake covert operations to counter them.

The Commission believes that each of these missions continues to be valid and, indeed, will become more important as these activities increasingly threaten our national security. (We discuss ways to improve the U.S. Government's overall efforts to combat these activities in Chapter 4.)

Of all these, only the counternarcotics mission raised any significant controversy during the course of the Commission's inquiry. While the Intelligence Community has technical collection capabilities that are not duplicated in the drug enforcement community, the Drug Enforcement Administration has responsibility, in coordination with host governments around the world, for investigating narcotics trafficking and preventing drug shipments from reaching the United States. Some witnesses contend that human source collection by the CIA essentially duplicates this mission, increasing the possibility of conflict as well as the possibility that the CIA will become tainted by sources involved in drug trafficking activities. While acknowledging that human source collection in the narcotics area does raise particular problems, *the Commission is persuaded that CIA provides special expertise and focus in the counternarcotics area and should continue to perform this mission. CIA should continue to coordinate closely with the Drug Enforcement Administration and other federal departments involved in counternarcotics activities abroad.*

It is clear that there are limits to what the Intelligence Community can do in terms of its overall impact on the narcotics problem faced by the United States. On the other hand, the Government should use all of the resources at its disposal to cope with it. Intelligence agencies do provide unique information in support of U.S. drug enforcement efforts. *The Commission believes these efforts should continue.*

Support to Criminal Justice and Regulatory Agencies

In addition to providing information to law enforcement agencies about terrorism, drug trafficking, international organized crime, and weapons proliferation, intelligence agencies also frequently are asked to collect or provide information they may have regarding foreign persons or entities who are the subject of criminal investigations within the United States. Intelligence agencies also respond to requests from a variety of U.S. regulatory agencies for intelligence information they may have pertaining to foreign persons or entities who are subject to regulation under U.S. law, for example, foreign banks that apply for a license to operate within the United States or foreign individuals seeking a visa to enter the United States.

Responding to these requests ordinarily requires only a fraction of intelligence effort or resources. It does, however, raise concerns about the protection of intelligence sources and methods, and, given the voluminous information that is ordinarily developed by, or available to, criminal justice or regulatory agencies, the search of intelligence records may yield little of value. Moreover, regulatory agencies often have difficulty using classified intelligence information because their actions must be based on a public record. *While the Commission believes as a general proposition that intelligence agencies should continue to respond to these kinds of requests, a thorough assessment of the value likely to be added by intelligence should be made before such efforts are undertaken and given priority over other responsibilities.*

Collecting and Analyzing Environmental Information

The unique collection capabilities of the Intelligence Community are occasionally put to use to obtain information on threats to the world's environment, such as the dumping by the Soviets of radioactive substances in the Arctic or the nuclear meltdown at Chernobyl. Environmental hazards can directly threaten the security of the United States and its citizens, and environmental conditions in other countries can have an indirect effect by causing regional conflicts over scarce resources, uprooting foreign populations, and destabilizing foreign governments. The Community also monitors international compliance with environmental treaties, and provides information and imagery to cope with natural disasters both within the United States and abroad. Analysis of this environmental information is performed on a limited basis.

Over the years the Community's satellite programs have amassed a unique historical collection of ecological data and offer an impressive future capability for environmental monitoring. Scientists reviewing this material under a current Administration program have concluded that the data holds enormous potential for the precise measurement of deforestation, global-warming trends, and other important environmental matters. The President has signed an Executive Order authorizing the release of this type of historical information from the 1960-1972 period to scientists for study.

The Commission believes the use of technical capabilities to collect information on environmental problems is legitimate but should not duplicate what civil authorities are able to obtain. The priority given such collection should be weighed against other requirements. To the extent possible, information obtained by such collection should be made available to civil authorities in unclassified form. The Commission also sees a legitimate, though limited, role for intelligence analysis in this area. Civil agencies are ordinarily in a better position to analyze information relating to environmental matters, but there may be circumstances where involvement by intelligence agencies is desirable, for example, if they possess special analytical expertise in a given area.

Collecting and Analyzing Information on World Health Problems

Information on world health problems and the capabilities of foreign countries to cope with them has become increasingly relevant to the ability of the United States to predict and respond to crises in other countries and to protect the health and safety of U.S. military forces and humanitarian workers who may be sent to assist. The movement of dangerous diseases to the United States is another major concern, and health problems can pose threats to the stability of foreign governments.

In many cases, information concerning these problems can be obtained without resorting to the use of intelligence capabilities, but in other cases such information will not be readily available. ***The Commission sees a legitimate role for intelligence here, albeit one that does not involve substantial resources.***

Information Warfare

“Information warfare” refers to activities undertaken by governments, groups, or individuals to gain electronic access to information systems in other countries either for the purpose of obtaining the data in such systems, manipulating or fabricating the data, or perhaps even bringing the systems down, as well as activities undertaken to protect against such activities. U.S. intelligence agencies have been involved in aspects of information warfare, both offensive and defensive, for many years. New impetus has recently been given to these roles, however, by the explosion in information systems and information systems technology.

Government and public communications, transportation, financial, energy, and other industrial systems have become critically dependent on a complex set of interconnected automated information and control systems. Many of these systems are potentially vulnerable to computer-based disruption, manipulation, or corruption by hostile individuals, groups, or countries.

A number of witnesses pointed to the lack of an effective governmental structure to coordinate efforts to protect computer networks in the public and private sector from electronic attack. While several such efforts are underway, many believe they are not fully coordinated and do not sufficiently involve the private sector. While these concerns may be justified, the scope of the actions required to deal with the problem, especially the protection of computer networks in the private sector, would necessarily exceed the roles and capabilities of U.S. intelligence agencies.

Collecting information about “information warfare” threats posed by other countries or by non-governmental groups to U.S. systems is, however, a legitimate mission for the Intelligence Community. Indeed, it is a mission that has grown and will become increasingly important. It also is a mission which the Commission believes requires better definition. While a great deal of activity is apparent, it does not appear well coordinated or responsive to an overall strategy.

The Need for Policy Guidance

INTELLIGENCE agencies cannot operate in a vacuum. Like any other service organization, intelligence agencies must have guidance from the people they serve. They exist as a tool of government to gather and assess information, and if they do not receive direction, chances are greater that resources will be misdirected and wasted. Intelligence agencies need to know what information to collect and when it is needed. They need to know if their products are useful and how they might be improved to better serve policymakers. Guidance must come from the top. Policymaker direction should be both the foundation and the catalyst for the work of the Intelligence Community.

The drafters of the National Security Act of 1947 understood the importance of such guidance in creating the National Security Council (NSC).¹ The NSC was created to coordinate the policies and functions of the departments and agencies of the Government relating to all aspects of national security, including the intelligence function.

Since then, each Administration has created its own structure and procedures to meet the policy objectives and management styles of the President and his senior advisers responsible for national security. Historically, intelligence information has made significant contributions to the substantive work of the NSC, whatever its structure; but where top-level guidance for intelligence requirements and policies is concerned, the role of the NSC and its staff has varied.

In some Administrations, formal NSC committees composed of cabinet-level officials have been established to provide guidance on intelligence matters. Such committees have been supported by a small professional staff within the NSC. In other Administrations, the national security advisor has delegated most intelligence issues to a senior member of the NSC staff. In some Administrations, the NSC principals and/or staff have taken an active and consequential role in providing guidance on intelligence matters; in others, they have served principally to coordinate the intelligence response during times of crises.

¹ The statutory members of the NSC are the President, the Vice President, the Secretary of State, and the Secretary of Defense. Secretaries and Deputy Secretaries of other Executive departments may also serve on the NSC at the pleasure of the President. The present NSC includes the Secretary of the Treasury, the U.S. Ambassador to the United Nations, the U.S. Trade Representative, the Assistant to the President for National Security Affairs, the Assistant to the President for Economic Policy, and the Chief of Staff to the President.

The Chairman of the Joint Chiefs is principal military adviser to the NSC and may attend and participate in NSC meetings. The Director of Central Intelligence also may attend and participate.

The NSC is served by a staff headed by the Assistant to the President for National Security Affairs (who is often referred to as the National Security Advisor). The composition and organization of the NSC staff are left to the discretion of the President.

Intelligence as an NSC Function from the Nixon Administration to the Present

President Richard M. Nixon took office in 1969 and created an NSC structure shortly thereafter. Not until 1971, however, did his Administration create an “Intelligence Committee,” one of the four top committees within the NSC responsible for providing policy guidance on national security issues. In addition, the NSC structure during the Nixon Administration contained a separate committee to approve and coordinate covert actions (the 40 Committee).

In 1975, the blue-ribbon “Commission on the Organization of the Government For the Conduct of Foreign Policy” (the Murphy Commission) reviewed this structure and found it largely ineffective. The Murphy Commission recommended that the NSC Intelligence Committee “should be actively used as the principal forum for the resolution, short of the President, of the differing perspectives of intelligence consumers and producers, and should meet frequently for that purpose.”

In 1976, almost two years into his presidency, President Gerald R. Ford issued a new Executive Order on intelligence, abolishing the existing NSC structure on intelligence and creating in its place a “Committee on Foreign Intelligence” (CFI). This new Committee was composed of the Director of Central Intelligence, the Deputy Secretary of Defense for Intelligence, and the Deputy Assistant to the President for National Security Affairs. The Administration directed this committee to “control budget preparation and resource allocation” for national intelligence, as well as to establish priorities for collection and production. The Executive Order spelled out several specific tasks the CFI should accomplish, among them giving direction on the relationship between tactical and national intelligence and providing “continuing guidance to the Intelligence Community in order to ensure compliance with policy direction of the NSC.”

This structure proved short-lived. President Ford remained in office less than a year thereafter, and his successor, President Jimmy Carter, immediately replaced the existing NSC apparatus with a two-committee structure consisting of a Policy Review Committee (PRC) and a Special Coordinating Committee (SCC). Depending upon the subject matter under consideration, the PRC would be chaired by, and composed of, different Administration officials, including the DCI when it addressed intelligence issues. The SCC was chaired by the National Security Advisor, and addressed the review and policy considerations of special activities, including covert action.

In 1978, President Carter provided more specific guidance on intelligence matters and issued a separate Executive Order on intelligence. It stipulated that the PRC, when dealing with intelligence matters, would be responsible for the establishment of requirements and priorities for national foreign intelligence, review of the intelligence budget, and the periodic review and evaluation of intelligence products. It was also charged with submitting an annual report on its activities to the NSC.

Three years later when he assumed office, President Ronald Reagan abolished the Carter NSC structure without creating a separate standing committee on intelligence, relying instead on a separate element on the NSC staff. He also signed Executive Order 12333, a broad statement of intelligence responsibilities and policies, which provided that the

NSC “shall act as the highest Executive Branch entity that provides review of, guidance for, and direction to the conduct of all national foreign intelligence, counterintelligence, and special activities, and attendant policies and programs.”

Later, as part of a reorganization of the NSC staff, a series of “Senior Interagency Groups” (SIGs) were created, one of which dealt with intelligence. Chaired by the DCI, the “SIG-I” was chartered to establish requirements and priorities for national foreign intelligence, review the program and budget for national intelligence as well as proposals for sensitive operations.

In 1989, President George Bush eliminated the Reagan NSC structure, and returned to a two-Committee structure, consisting of a “Principals Committee” and a “Deputies Committee.” The Principals Committee was chaired by the National Security Advisor; the Deputies Committee, by his Deputy. A separate staff office coordinated intelligence programs.

Two years into the Administration, the NSC conducted the first in-depth review of intelligence requirements. The document that instituted the review, known as “National Security Review-29,” noted that “senior policy makers traditionally have neglected their critical role in setting intelligence priorities and requirements.” It produced a lengthy list of government-wide intelligence requirements, but it failed to assign priorities in a way that usefully guided collection efforts or the allocation of resources.

In 1993, President Bill Clinton took office. He retained the “Principals Committee/Deputies Committee” structure to coordinate major foreign policy issues and created a system of “Interagency Working Groups” to handle more routine issues. A separate staff office coordinated intelligence activities. In April, 1995, a new presidential directive was issued which, for the first time, stated in priority order what a President considered to be his intelligence requirements and established a working group of mid-level policy officials to review more regularly intelligence policies and requirements.

Shortcomings of the Past

The Commission sees several shortcomings in the historical process described above. The institutional role played by the NSC in providing guidance and direction for intelligence activities has varied widely. Often substantial lapses occur at the change of Administrations when there is no guidance at all. As a result, a consistent level of guidance concerning appropriate roles for intelligence, as well as the guidance establishing requirements and priorities for collection and analysis, has, all too often, been missing.

In practice, the NSC’s structures created to perform such functions often have foundered. Senior officials, such as cabinet secretaries or their deputies, who represent their respective departments and agencies at NSC-level meetings, usually have little or no background in intelligence and are inundated by the press of other duties. Intelligence is too often viewed as a support function that is “someone else’s responsibility.” Subordinates are increasingly sent to meetings in place of principals, and meetings become progressively less frequent. As a result, a true “consumer driven” intelligence process has never fully evolved within the NSC, regardless of the Administration in office.

The Commission believes the NSC as an institution should provide clearer guidance for intelligence, through regular tasking and a better organizational framework for handling intelligence issues. Several close allies visited by the Commission during its inquiry have effective mechanisms at the senior levels of governments to ensure that their intelligence agencies receive timely, ongoing guidance from the political level. In Great Britain, for example, a Cabinet-level office known as the Joint Intelligence Committee (JIC) brings together senior British policymakers and intelligence officials on a *weekly* basis. The JIC, functioning since 1936, is responsible for setting intelligence priorities on an ongoing basis, and for producing a weekly intelligence summary. Members include the principal producers and consumers of intelligence. While clearly the work and value of structures such as the JIC are facilitated where the government is considerably smaller than the U.S. Government and principally staffed by career civil servants, the Commission believes the concept embodied in the JIC can also be made to work in the United States.

What Needs to Be Done

The Commission recognizes that every President must be free to use and structure the National Security Council as he or she sees fit, including the performance of its statutory role to provide direction to the Intelligence Community. From the Commission's standpoint, however, the particular structure decided upon by a president is less important than a clear and consistent understanding and implementation of the roles it should perform. Even when Administrations change, the functions of the NSC should not. Top-level direction to intelligence agencies would be greatly strengthened by a more institutionalized role for the NSC, one that is not rewritten every two or four years. The more the role of the NSC varies, the more difficult it is to develop and sustain working relationships that provide clear, frequent direction for intelligence and guidance for its collection and analytic efforts.

In the view of the Commission, the institutional role played by the NSC structure should include setting the policy guidelines for intelligence activities, stating what the intelligence agencies are expected to do and what they should not do. The NSC structure should clarify, for example, whether intelligence agencies should collect economic intelligence or analyze intelligence on the environment, whether they perform analysis of publicly-available information, and what rules should govern intelligence-gathering where allied and friendly governments are concerned.

The institutional role of the NSC also should include providing guidance for ongoing intelligence collection and analysis, to say what is needed and when, clarifying what is helpful and not helpful. What are the issues on the "front burner" for the President and other policymakers? What information would fill a void? On what subjects is intelligence adding little of value? Where does intelligence have access to information that would be of considerable value, but is not being collected?

It should also be the institutional role of the NSC (but not the NSC staff by itself) to assess, from time to time, the performance of the Intelligence Community in satisfying their substantive needs as policymakers, reporting its conclusions, as appropriate, to the President.

In the section that follows, the Commission proposes a two-tier NSC structure for carrying out these roles. It is intended as a model for this and future Administrations.

Whatever NSC structure may be adopted for intelligence, however, it must not interfere with the direct reporting relationship between the President and the Director of Central Intelligence, which must be preserved. The importance to the intelligence function of having a strong relationship between the President and the DCI cannot be overemphasized. The Commission was consistently told by former DCIs that where their relationship was strong, it had repercussions across the entire Government, including the Congress, giving vitality and purpose to the whole enterprise. Conversely, where the relationship was weak, it took a heavy toll on the esprit and influence of the Intelligence Community.

3-1. The Commission recommends the establishment within the National Security Council of a “Committee on Foreign Intelligence” (CFI), chaired by the Assistant to the President for National Security Affairs and including the Director of Central Intelligence, the Deputy Secretary of State and the Deputy Secretary of Defense. The Chair should invite other senior officials to attend as may be appropriate given the meeting agenda.

The CFI should meet at least semi-annually and provide guidance to the DCI for the conduct of intelligence activities, to include establishing overall requirements and priorities for collection and analysis. Appropriate NSC staff should formulate the agendas and supporting materials for these meetings, with NSC members and their staffs providing such assistance as may be required. The CFI should report annually to the President on its activities.

3-2. The Commission recommends that a “Consumers Committee” be established as a subordinate element of the CFI. This Committee should be chaired by the Deputy Assistant to the President for National Security Affairs and should include senior representatives at the Undersecretary level of the parent CFI members as well as senior representatives of other principal intelligence producers and consumers within the Government, e.g. the Secretaries of Commerce and Treasury, the U.S. Trade Representative. The Consumers Committee should meet at least monthly and provide continuous, ongoing guidance with respect to the priorities for intelligence collection and analysis to meet the needs of the Government. The Consumers Committee should monitor and periodically report to the CFI with respect to how well the Intelligence Community is meeting the needs of consumers, identifying gaps and shortcomings where appropriate. The NSC staff should be responsible for formulating the agendas and supporting materials for each meeting, with NSC members and their staffs providing such assistance as may be required.

The Commission opted for this bifurcated approach for several reasons. The Commission believes that the major overarching issues in the intelligence area are best left to a small group, consisting of the principal cabinet officers who are responsible for, and the users of, intelligence. The Commission believes such a group should be chaired by the National Security Advisor because he can approach the issues from the viewpoint of the President and has responsibility for coordinating national security matters on his behalf.

However, it is unrealistic to expect such a senior group to play an active role in setting ongoing requirements and priorities for intelligence-gathering and analysis. This function necessarily requires more frequent meetings and must be carried out at a lower level of representation. Membership should be at a high enough level so that the participant can represent the policies of his or her agency or department, but also at a level where the participant can be a regular attendee at the monthly meetings. Whoever may be designated, however, should have or be able to obtain a grasp of the overall intelligence requirements and priorities of the department or agency they represent.

The Commission believes that a forum outside the Intelligence Community (but including a representative of the Intelligence Community) should evaluate the substantive contributions made by the intelligence agencies. Hence, this role is suggested for the Consumers Committee. This is a function that the NSC has not performed in the past but is needed for the effective operation of the Intelligence Community.

Finally, the Commission does not contemplate that either the CFI or its subordinate Consumers Committee would perform oversight or management functions. The DCI would continue to report to the President and not to either of these committees. The function of both bodies would be to provide guidance to the Director of Central Intelligence and, through him, to the Intelligence Community as a whole. If disagreements arose which could not be resolved inside the NSC structure, each cabinet-level official would retain the right to appeal to the President.

The President's Foreign Intelligence Advisory Board

While not a part of the NSC structure, the President has another body at his disposal to provide advice on intelligence matters—the President's Foreign Intelligence Advisory Board (PFIAB). First created by Executive Order in 1961, the PFIAB is charged with advising the President with respect to the quality, quantity, and adequacy of intelligence collection, analysis, counterintelligence, and other activities.² The PFIAB is also authorized to assess the adequacy of management, personnel and organizational arrangements in the intelligence agencies. Composed of private citizens, usually with some government experience, the number of PFIAB members has varied from one Administration to another.³

Historically, the PFIAB often has produced insightful and critical reports. Early boards were instrumental in analyzing and promoting the technical developments of the 1960s which revolutionized intelligence gathering. In the last several years, the PFIAB has looked at issues such as personnel practices within intelligence agencies and intelligence-sharing with multinational organizations.

The Commission supports the continuation of the PFIAB but believes that its role would be enhanced and its contributions more significant if it sought to perform functions that are not being performed elsewhere, either by the NSC or within the Intelligence

² The PFIAB replaced an earlier "President's Board of Consultants on Foreign Intelligence Activities" that had been created by President Eisenhower in 1956. The PFIAB was disbanded in 1977 by President Carter but reconstituted by President Reagan in 1981.

³ The current Executive Order governing the PFIAB, E.O. 12863 (Sept. 13, 1993), limits membership to 16 individuals.

Community itself. The Commission has noted in the course of its inquiry that very little thought is given by the Intelligence Community to the future, to finding creative technical or managerial solutions to the problems of intelligence or focusing on long-term issues and trends. By virtue of its membership, the PFIAB appears uniquely positioned to serve this function by bringing to bear the experience and expertise of the private sector and respected former government officials. Presidents must ensure that persons appointed to the Board have the qualifications necessary to perform this role and an adequate staff capability to support them.

The Need for a Coordinated Response to Global Crime

THE end of the Cold War meant a significant change in the nature of the foreign threats to U.S. security. The principal worry of most Americans is no longer a devastating military offensive from abroad, but rather more insidious assaults which hit closer to home, threatening lives and property and creating a climate of fear.

The bombing of the World Trade Center and the thwarted attacks against other targets in New York City demonstrated that terrorist acts are no longer risks that Americans confront only abroad. The use of chemical agents in the attack on the Tokyo subway heightened the concern that similar attacks could occur here. International drug cartels continue to pump enormous quantities of cocaine and heroin into the United States, destroying countless lives, raising public health costs, and contributing to a large percentage of the criminal acts committed in this country. The breakup of the former Soviet Union and increased efforts by other countries to obtain weapons of mass destruction and related technologies have resulted in greatly increased trafficking in illicit materials, leading many Americans to worry more now about the possibility of a nuclear explosion than during the Cold War.

Most of these threats to our security stem from foreign groups whose activities are not limited by governmental or national boundaries. Some operate with the support or tolerance of a government; others do not. Some are organized groups with far-flung operations; others are independent actors.

International terrorism, narcotics trafficking, trafficking in weapons of mass destruction, and international organized crime are sometimes called “non-traditional” or “transnational” threats. Recognizing the vagueness of these labels, however, the Commission has chosen to refer to these activities as “global crime.” In using the term “global crime,” we recognize that not all such activities constitute violations of U.S. criminal laws. Nor do we mean to imply that they should be treated only as law enforcement matters. Indeed, the opposite is true, as we discuss below.

The Commission believes that global crime will pose increasing dangers to the American people in the years ahead as its perpetrators grow more sophisticated and take advantage of new technologies. These threats also affect U.S. interests in other ways, for example, by undermining the stability of friendly governments or even requiring the commitment of U.S. military forces.

Recognizing the increasingly menacing nature of these threats, the President has issued separate directives specifically identifying international terrorism, narcotics trafficking, proliferation of weapons of mass destruction, and international organized crime as threats to national security, and creating separate interagency working groups under the auspices of the National Security Council to share information with regard to them.

A growing number of U.S. departments and agencies now have responsibility for combating global crime. The Department of Justice, the Federal Bureau of Investigation

Chapter 4

(FBI), and the Drug Enforcement Administration have historically been the lead agencies in U.S. efforts to protect our citizens against transnational wrongdoers, but the Departments of State and Defense, as well as the Intelligence Community, have been given increasingly larger roles since 1980.¹

While each of these agencies' roles is important, their overlapping responsibilities have led to conflicts in mission and methods. These conflicts have been most visible between the intelligence and law enforcement communities—where disagreements came to a head in the early 1990s over the BNL and BCCI investigations—but they are not unique to them. In the Commission's view, these internecine squabbles between agencies seriously undermine the country's ability to combat global crime in an effective manner and must be ended.

The departments and agencies have taken a number of substantial actions in the last year to work out their differences. The Commission, however, is convinced that even more needs to be done.

In the view of several Commission witnesses, the U.S. Government has relied too heavily on law enforcement as the primary response to international wrongdoers, to the detriment of other possible actions. In the words of one witness, a former Attorney General, "when the law enforcement juggernaut gets going, everyone else gets out of the way."

Law enforcement can be an extremely powerful weapon against terrorism, drug trafficking, and other global criminal activity. But it may not be the most appropriate response in all circumstances. Often the perpetrators have sought sanctuary in other countries and cannot be brought to trial. Compiling proof beyond a reasonable doubt—the standard in criminal cases—may be even more difficult with respect to global crime. Diplomatic, economic, military, or intelligence measures, in many cases, can offer advantages over a strict law enforcement response, or can be undertaken concurrently with law enforcement.

Some who spoke to the Commission believe that it is improper for the Executive branch to subordinate law enforcement interests to other policy considerations, such as the impact on foreign relations, protection of intelligence sources and methods, or implications for the use of U.S. forces. They argue that if a foreign group or individual has violated U.S. law or threatens to violate U.S. law, they should be dealt with as criminals regardless of the other considerations involved.

The Commission believes otherwise. Under the Constitution, the President has responsibility not only to enforce the laws but also to conduct foreign policy and provide for the common defense. The Commission concludes that it is appropriate, and in fact essential, for the President to weigh various competing policy interests in determining the most effective response to global criminal activity. This does not mean that anyone other than the Attorney

¹ For example, the Department of State has declared combating international terrorism, narcotics trafficking, proliferation, and global organized crime as top priorities for the Administration's foreign policy, and has established a new Bureau of International Narcotics and Law Enforcement Affairs, headed by an Assistant Secretary, to direct the Department's efforts. The Defense Department, which historically had been prohibited by the Posse Comitatus Act from engaging in law enforcement, was authorized in 1989 to collect information about international narcotics trafficking. DoD also created an office for drug enforcement support.

General or law enforcement officials should direct law enforcement investigations or prosecutions on a day-to-day basis. But a decision needs to be made at a policy level whether to give priority to law enforcement, or to intelligence, or to other policy options.

4-1. The Commission recommends that the President by Executive Order reaffirm that global criminal activities such as terrorism, narcotics trafficking, organized crime, and proliferation of weapons of mass destruction are national security matters and require a coordinated, multi-agency response. A law enforcement approach alone is inadequate.

The recently created NSC working groups are fostering broader interagency exchanges of information on different types of global crime, but the Commission believes that these groups do not provide the necessary strategic direction to attack these activities in a systematic and comprehensive way. These working groups are not convened at a sufficiently high level to set overall strategies or to settle interagency differences. Moreover, at the working level, law enforcement agencies, unaccustomed to participating in the NSC framework, are often passive participants in the working groups' activities.

The NSC Deputies Committee has, when necessary, provided a useful forum for sorting out interagency differences over global criminal activity, but it is used on an *ad hoc* basis and does not provide significant or continuing strategic direction. The Commission believes a high-level group is needed to direct and coordinate the U.S. Government's efforts, including law enforcement efforts, to combat global crime.

4-2. The Commission recommends that the President create by Executive Order a Global Crime Committee of the National Security Council to direct the U.S. Government's actions against transnational activities that threaten the national security. The Committee should include, at a minimum, the Secretaries of State and Defense, the Attorney General, and the Director of Central Intelligence. The Committee should be chaired by the National Security Advisor.²

A. The Global Crime Committee should identify as specifically as possible those transnational groups or activities that require a coordinated response, and a list of such groups or entities should be submitted to the President for certification. Not all global crime involving terrorism, drug trafficking, organized crime, or weapons proliferation necessarily constitutes a national security threat. By specifying those groups or activities that do pose national security threats, the Committee would alert the various departments that their activities with respect to these threats should be conducted in coordination with other departments and agencies.

² The Commission considered recommending that the Vice President chair the Global Crime Committee, or that the Committee be co-chaired by the Deputy Attorney General and Deputy Secretary of State. It was noted that the Commission on the Roles and Missions of the Armed Services recently recommended that the Vice President chair an interagency committee on weapons proliferation. On balance, however, we believe that the most effective chairman of the Committee would be the National Security Advisor. We note that the Special Review Board (the Tower Commission) recommended that the National Security Advisor chair senior-level committees of the NSC system.

- B. The Committee should establish an overall strategy for dealing with global crime, once certified; monitor implementation by the executive departments and agencies; determine the appropriate approach to specific types of global crime; and resolve operational and policy differences among the various departments and agencies. If such differences cannot be resolved by the Committee, they should be decided by the President.**

- C. A senior member of the NSC staff should be appointed as a Global Crime Committee Coordinator. The Coordinator should be assisted by a small staff detailed from appropriate agencies who are experts on different types of global crime and applicable legal requirements. Together, they should manage the coordination process and serve as advisers to the Committee and the President; they should not adjudicate disputes between departments and agencies, which should be the function of the Committee.**

The Global Crime Committee will operate effectively only with the active participation of law enforcement agencies. For this reason, the Commission considered recommending that the Committee be established outside of the NSC structure. The Commission concluded, however, that because the NSC is already statutorily responsible for the “integration of domestic, foreign, and military policies relating to the national security,” the Committee should be situated under the aegis of the NSC.³ Recognizing that global crime, previously viewed as law enforcement problems, have become national security matters, the Commission believes that the Attorney General should participate in meetings of the NSC when it considers global crime matters.

Intelligence Community–Law Enforcement Cooperation

Historically, intelligence and law enforcement agencies have operated largely in separate spheres. Law enforcement agencies were concerned with criminal activity inside the United States, while intelligence agencies concentrated on the plans and capabilities of foreign governments. As criminal activity has become more global in nature, however, and as more U.S. criminal statutes have been given extraterritorial application, law enforcement agencies have become increasingly interested in information about criminal activities outside the United States. At the same time, collection and analysis of information about global crime also has become a priority for the Intelligence Community.

Increasingly overlapping interests in the same foreign groups and activities have caused conflicts between the two communities. Tensions result, in part, from their very different missions, goals, and legal authorities.

³ Section 101 of the National Security Act provides that “The function of the [National Security] Council shall be to advise the President with respect to the integration of domestic, foreign, and military policies relating to the national security so as to enable the military services and the other departments and agencies of the Government to cooperate more effectively in matters involving the national security.”

The mission of intelligence agencies is to collect, analyze, and disseminate intelligence to their consumers. Human sources and technical collection systems can be developed only over long periods of time and often at great cost. They are easily compromised and, when compromised, often cannot be replaced. Accordingly, intelligence agencies are by nature reluctant to permit consumers, including law enforcement agencies, to use intelligence in any way that might result in the loss of a source or collection method.

The mission of law enforcement agencies, in contrast, is to investigate and prosecute individuals who violate U.S. laws. Like intelligence agencies, law enforcement agencies want information about global crime, but as a means to a different end: the arrest and conviction of criminals. Law enforcement's need for intelligence may not always be compatible with the methods of the Intelligence Community.

Continuing Sources of Conflict

There are a number of specific areas of conflict between the two communities. Three stand out. First, there remains a mutual reluctance to share sensitive information. Law enforcement agencies, especially the FBI, have complained that intelligence agencies, citing the need to protect intelligence sources and methods, do not disseminate important intelligence reports or, more often, disseminate them with such onerous restrictions on their use that they are valueless to investigators and prosecutors.

Similarly, intelligence agencies complain that law enforcement organizations refuse to share information about terrorism, narcotics trafficking, and organized criminal activities collected in the course of domestic criminal investigations. With largely unfettered access inside the United States and armed with enforcement powers, law enforcement officials often can collect information about individuals involved in global criminal activities more easily than intelligence agencies operating clandestinely overseas. Much of this information is potentially useful to the Intelligence Community, but law enforcement agencies are reluctant to share it lest it leak or be used in a way that would taint the prosecution's case.

A second source of conflict involves the intelligence agencies' refusal to accept direct collection tasking from law enforcement agencies. CIA and NSA interpret their legal authorities as permitting them to engage in intelligence collection only for a "foreign intelligence" purpose⁴. Accordingly, while they invite law enforcement agencies to request information about specific targets, NSA and CIA will only go forward with the collection if they independently determine that the requested collection has a valid—in the view of NSA, a principal—"foreign intelligence" purpose. In almost all instances, requests for information about specific individuals involved in terrorism, narcotics

⁴ The so-called law enforcement "proviso" of the National Security Act of 1947, as amended, provides that CIA shall have "no police, subpoena, law enforcement powers, or internal security functions." The legislative history of the proviso is sparse, but it is generally agreed that Congress intended the restriction to prevent the CIA both from infringing on the FBI's domestic jurisdiction and from developing into a secret police force. The proviso clearly prohibits the CIA from directly exercising law enforcement powers, such as arresting a criminal suspect or seizing an illicit narcotics or arms shipment. It is less clear that it limits CIA from providing assistance to law enforcement agencies, such as collecting information at the request of law enforcement agencies. In practice, CIA has generally been willing to conduct collection requested by a law enforcement agency if it determines that some valid foreign intelligence justification exists for the collection. (continued)

trafficking, organized crime, and weapons proliferation are deemed to have foreign intelligence value. The intelligence agencies' refusal to accept direct collection tasking, however, makes them appear to be unresponsive to the needs of law enforcement agencies and makes law enforcement reluctant to make further requests.

A third source of tension is an increased effort by law enforcement agencies, principally the FBI, to expand their activities overseas, both to engage in liaison with foreign law enforcement agencies, and to develop independent sources of information about global criminal activities that can be used more easily by investigators and prosecutors. Law enforcement agencies are hesitant to provide details about these overseas activities to intelligence and State Department officials because of concerns about leaks and possible tainting of their investigations.

Recent Initiatives

During the last two years, the intelligence and law enforcement communities have taken a number of significant actions to resolve their differences. A Joint Intelligence Community–Law Enforcement working group was formed in 1995 to devise solutions to the specific flashpoints between the two communities. Composed of experienced lawyers and other officials from all of the affected agencies, the working group has been meeting on a weekly basis and appears to have made significant progress in addressing problems.

A separate task force has been addressing the relationship between intelligence and law enforcement representatives stationed overseas, specifically focusing on the appropriate division of duties, guidelines for keeping each other informed, and mechanisms to resolve differences that may arise. At the same time, the Departments of State and Justice have been attempting to negotiate a Memorandum of Understanding to govern the relationship between U.S. Chiefs of Mission and law enforcement officials posted overseas.

Both the working group and special task force report to an Intelligence Community–Law Enforcement Policy Board, which was established in March 1995. Co-chaired by the Deputy Director of Central Intelligence and the Deputy Attorney General, the Board meets quarterly to consider and resolve significant policy differences that arise between the two communities. In addition, the Deputy Attorney General and Deputy Director of Central Intelligence have begun to meet on a bi-weekly basis in order to keep each other directly informed on major operational issues and to address disputes that have not been resolved at the working level.

NSA is not subject to the law enforcement proviso of the National Security Act. Executive Order 12333 provides that NSA is authorized to collect signals intelligence “for national foreign intelligence purposes” in accordance with guidance from the DCI. NSA construes E.O. 12333, as well as certain judicial decisions, as prohibiting it from engaging in collection for the principal purpose of law enforcement. Thus, in contrast to the CIA, NSA will engage in collection requested by a law enforcement agency only if it determines that the *principal* purpose is to collect foreign intelligence.

Conclusions and Recommendations

While most Commission witnesses advocated improving cooperation between intelligence and law enforcement, this view is not shared by everyone. Recalling the domestic abuses of the 1960s and 1970s, some critics remain leery about encouraging greater intelligence involvement in law enforcement activities. Others are concerned that forcing intelligence agencies to provide more direct support to law enforcement will open them up to stricter judicial scrutiny and criminal discovery procedures, which will ultimately hamper their collection activities and risk disclosure of sources and methods.

Notwithstanding these concerns, the Commission is persuaded that improved cooperation between law enforcement and intelligence is desirable, and, indeed, is essential. While mindful of the potential risks of closer links, the Commission believes that the increasing threats to our national security from global crime require the two communities to work together. In the Commission's view, cooperation can be enhanced in ways that would not threaten the civil liberties of Americans or the efficacy of intelligence functions. While the recent initiatives taken by the two communities to improve cooperation are to be applauded, the Commission concludes that more needs to be done.

A Single Spokesperson for Law Enforcement

In the view of many witnesses, a significant impediment to better cooperation between the two communities is the decentralization of law enforcement activities in the U.S. Government. Responsibility for law enforcement activities is split principally between two cabinet departments: the Justice Department and the Treasury Department. The Attorney General is responsible for the FBI, the Drug Enforcement Administration, the Immigration and Naturalization Service, and the Marshals Service.⁵ The Secretary of the Treasury is responsible for the Secret Service, the Customs Service, and the Bureau of Alcohol, Tobacco, and Firearms. A still extant 1968 Executive Order directs the Attorney General to "coordinate the criminal law enforcement activities of all federal departments and agencies," but successive Attorneys General have never been able to exercise this authority fully.

As a result, there is no single coordinator for the law enforcement community. Whether the issue concerns formulating an overall U.S. response to global crime, facilitating cooperation with the Intelligence Community, or coordinating law enforcement activities abroad, there is no single focal point within the law enforcement community authorized to represent its views. This makes policy decisions more difficult and coordination more cumbersome.

⁵ The activities of the Department of Justice itself are highly decentralized. The Department includes 94 U.S. Attorneys offices and 56 FBI field offices across the United States. This makes coordination with the Intelligence Community very difficult. The Commission urges the Justice Department to increase its efforts to monitor its cases across the country that may involve national security issues.

4-3. The Commission recommends that the President designate the Attorney General as the focal point and spokesperson for the law enforcement community for purposes of formulating the nation’s law enforcement strategy for responding to global crime, facilitating cooperation with the Intelligence Community, and coordinating law enforcement activities abroad.

Legal Authorities

The Commission does not believe that significant changes in the Intelligence Community’s legal authorities are required in order to improve cooperation between intelligence and law enforcement.

Nevertheless, some clarification of existing law would be helpful. Lack of clear legal authorities has resulted in confusion—inside individual intelligence agencies, between different intelligence agencies, and within the law enforcement community—regarding what activities intelligence agencies can conduct to support law enforcement. Applicable Executive Orders should be revised both to clarify specifically what is prohibited and what is permitted and to ensure that various Intelligence Community agencies are governed by the same rules.

The Commission believes that the Intelligence Community may be taking too restrictive a view regarding whether intelligence assets can be tasked by law enforcement agencies to collect information overseas about other than “U.S. persons,” i.e. U.S. citizens or aliens admitted to the United States for permanent residence. The law enforcement proviso of the National Security Act was intended to prevent the CIA from infringing on the domestic jurisdiction of the FBI and from becoming a national secret police that might be directed against U.S. citizens. These concerns are not present when the Intelligence Community collects against foreign nationals overseas.

At the same time, the need to combat global crime most effectively requires that the capabilities of the Intelligence Community be harnessed to support law enforcement agencies as efficiently and effectively as possible. The Intelligence Community’s interpretation of the law as requiring an independent finding of a “foreign intelligence” purpose (a *principal* foreign intelligence purpose, in NSA’s view) before conducting any collection requested by a law enforcement agency is, in our view, overly mechanistic. The Intelligence Community should be permitted to collect information overseas at the request of a law enforcement agency so long as a U.S. person is not the target of the collection or the subject of the potential prosecution.⁶

⁶ Allowing intelligence agencies to engage in collection for a law enforcement purpose would not necessarily subject them to discovery requests that might jeopardize sources and methods. If the information collected is used for “lead” or “tip-off” purposes only, and is not used as a factual element in support of a search warrant, arrest warrant, or indictment, the intelligence agency would generally not be considered part of the “prosecution team” whose files are subject to discovery searches.

4-4. The Commission recommends that the President by Executive Order clarify that intelligence agencies with collection capabilities may collect information about non-U.S. persons outside the United States at the request of a U.S. law enforcement agency.

Sharing of Information

Despite the recent progress made to improve the working relationships between the two communities, the Commission remains concerned that they will continue not to exchange relevant information about global crime. Although each has legitimate concerns, both practical and legal, about how information it collects may be used (or misused) by the other, the Commission believes the U.S. Government simply cannot wage an effective fight against global crime unless the two communities pool their information resources.

The Intelligence Community needs to relax restrictions, to the greatest extent possible consistent with protection of sources and methods, on the dissemination and use of intelligence by law enforcement agencies in conducting investigations. Similarly, law enforcement agencies should share information they collect with intelligence agencies in an appropriate manner consistent with applicable legal restrictions. Although there are certain legal restrictions on disclosure of information obtained in the course of a law enforcement investigation, such as grand jury secrecy rules, the bulk of investigative information collected by law enforcement agencies about groups and individuals engaged in global criminal activities can be legally provided to the Intelligence Community.

In the Commission's view, procedures can be crafted to allow the passage of relevant information in a manner that neither taints a potential prosecution nor jeopardizes sources and methods. Effective cooperation would be facilitated by detailing more law enforcement personnel to intelligence agencies, and vice versa.

4-5. The Commission recommends that the Global Crime Committee develop improved procedures to ensure increased sharing of relevant information between the law enforcement and intelligence communities.

Overseas Coordination

The Commission also has concerns about expansion of the FBI's overseas activities. The Commission recognizes that the growing internationalization of criminal activity requires the FBI to maintain closer ties with foreign law enforcement services, necessitating the posting of more FBI representatives to foreign capitals. But the Commission believes the functions of these representatives principally should be limited to liaison with the host government and to participating, where appropriate, in joint law enforcement operations (such as counternarcotics or counterterrorism cases) where the U.S. has an interest.

In our view, the FBI should not conduct *unilateral* law enforcement operations in other countries (such as developing and recruiting clandestine sources) without the knowledge and approval of the host government, except in rare and compelling circumstances. The risk of political embarrassment to the United States, as well as the potential for conflicting with the operations of intelligence agencies, is simply too high.

To the extent that the FBI and other law enforcement agencies do engage in activities—either liaison or operations—in foreign countries, the Ambassador should be kept informed of these activities, as required by existing law, and the activities should be coordinated, in accordance with applicable policy, with intelligence officials.⁷ Keeping an Ambassador informed of such activities does not mean that the Ambassador will have authority to make prosecutorial decisions; it does mean that the Ambassador will have an opportunity to assess the political impact of U.S. law enforcement activities on the host country relationship as well as to reduce the possibility for conflict with intelligence activities. If conflicts arise that cannot be resolved in the field, these should be elevated to more senior departmental officials, and, as appropriate, to the Global Crime Committee or the President.

4-6. The Commission recommends the Global Crime Committee develop guidelines to govern the coordination of law enforcement activities overseas, incorporating the principles set forth in this report.

⁷ Pursuant to 22 U.S.C. 3927, the Ambassador is responsible for supervising all non-military Executive branch activities in his or her country and must be kept “fully and currently” informed of all such activities, including those of law enforcement officials.

The Organizational Arrangements for the Intelligence Community

THE Intelligence Community was not created, and does not operate, as a single, tightly knit organization.¹ Rather, it has evolved over nearly 50 years and now amounts to a confederation of separate agencies and activities with distinctly different histories, missions and lines of command. Some were created to centralize the management of key intelligence disciplines. Others were set up to meet new requirements or take advantage of technological advances. Not surprisingly, the *ad hoc* nature of their growth resulted in some duplication of activities and functions. All but the CIA reside in policy departments and serve departmental as well as national interests. Except for the CIA, which for reasons of security is funded in the Defense budget, they are funded by their parent department's appropriation. Their directors are selected by the Secretaries of the departments they serve, although in some cases consultation with the DCI is required.

Despite their separate responsibilities, lines of authority, and sources of funding, the United States has sought to operate these agencies as a "Community" in order to best serve the nation's interests. Today, intelligence remains the only area of highly complex government activity where overall management across department and agency lines is seriously attempted.

Roles and Authorities of the Director of Central Intelligence

The National Security Act of 1947, which established the CIA, did not define an "Intelligence Community" or specify the DCI's responsibilities or authorities in relation to the other intelligence agencies which existed at the time. As the head of CIA, the DCI was only to make recommendations to the National Security Council for the coordination of U.S. intelligence activities and to "correlate and evaluate intelligence relating to the national security" and disseminate this intelligence to other agencies. The CIA Act of 1949 provided the DCI with special financial and acquisition authorities that became critical in later years in the rapid procurement of technical intelligence capabilities.

¹ The Intelligence Community is defined by law to include the Office of the Director of Central Intelligence (which includes the National Intelligence Council), the Central Intelligence Agency, the National Security Agency, the Defense Intelligence Agency, the Central Imagery Office, the National Reconnaissance Office, other offices within the Department of Defense for the collection of specialized national intelligence through reconnaissance programs, the intelligence elements of the Army, Navy, Air Force, Marine Corps, Federal Bureau of Investigation, the Department of Treasury, and the Department of Energy, the Bureau of Intelligence and Research of the Department of State; and such other elements of any department or agency as may be designated by the President or jointly by the Director of Central Intelligence and the head of the department or agency concerned. (None has to date been designated under this latter authority.) For a general description of the operation of the Intelligence Community, see Appendix B.

As more intelligence agencies came into existence during the 1950s and 1960s, many began to feel the DCI should play a stronger coordinating role relative to these agencies to improve their efficiency and effectiveness. Within two years of CIA's establishment, the DCI was admonished by President Truman to take a stronger role in coordinating the intelligence function. Similar calls were made by successive Presidents, congressional committees, and independent commissions.² In all, over the last forty years, more than 26 proposals have been offered to strengthen the authorities of the DCI over the agencies of the Intelligence Community, motivated, for the most part, by a desire to eliminate waste and duplication.

The first formal changes in the DCI's authorities in relation to other intelligence agencies did not come until the early 1970s. By this point, spending for intelligence had substantially grown as a result of advances in space technology. In 1971, President Nixon, by classified memorandum, directed the DCI to establish requirements and priorities for intelligence collection, and to combine all "national" intelligence activities into a single budget. These responsibilities were carried over in the first Executive Order on intelligence, issued by President Ford in 1976. In addition, the comprehensive Ford order created for the first time the position of Deputy to the Director of Central Intelligence for the Intelligence Community and instructed the DCI to delegate day-to-day operation of the CIA to the Deputy Director of Central Intelligence. The position of the Deputy Director for the Intelligence Community did not survive in subsequent executive orders. However, the executive orders issued by Presidents Carter and Reagan did substantially clarify the DCI's authorities and responsibilities in relation to other elements of the Intelligence Community. (See the discussion of these orders in Appendix A.)

In 1992, the Congress enacted amendments to the National Security Act of 1947 which defined the "Intelligence Community" in law for the first time and codified many of the specific responsibilities and authorities of the DCI vis-à-vis the Intelligence Community which had previously existed in Executive Order. (See Title VII of Public Law 102-496.) Among other things, these amendments:

- ◆ recognized three specific roles for the DCI: head of the Intelligence Community, principal intelligence adviser to the President, and head of the CIA;
- ◆ made the DCI responsible for creating a centralized process for establishing requirements and priorities for intelligence collection and analysis;
- ◆ made the DCI responsible for developing and presenting to the President and Congress an annual budget for national foreign intelligence activities;
- ◆ provided that the DCI would formulate guidance for and approve the budgets of agencies within the Intelligence Community and that the concurrence of the DCI must be obtained before agencies could use or "reprogram" appropriated funds for other purposes;

² Summaries of recommendations from many of the key reports are included in the discussion of the historical evolution of the Intelligence Community found in Appendix A.

- ◆ gave the DCI authority to shift personnel and funds within national intelligence programs to meet unexpected contingencies, provided the affected agency head(s) did not object;
- ◆ made the DCI responsible for the coordination of Intelligence Community relationships with foreign governments;
- ◆ as head of the CIA, made the DCI responsible for providing overall direction for the collection of national intelligence through the use of human sources; and
- ◆ required the Secretary of Defense to consult with the DCI with respect to the appointments of the Directors of the National Security Agency, National Reconnaissance Office, and Defense Intelligence Agency, and to appoint the head of the Central Imagery Office based upon the recommendation of the DCI.

Taking these together, the DCI appears to have considerable authority vis-à-vis other elements of the Intelligence Community. In practice, however, this authority must be exercised consistent with the authority of the department heads to whom these elements are subordinate.

Organizational Dynamics

The preponderance of U.S. intelligence agencies are within the Department of Defense. The National Security Agency, the Defense Intelligence Agency, the National Reconnaissance Office, the Central Imagery Office, the offices which carry out specialized reconnaissance activities, the joint intelligence centers of the Joint Chiefs of Staff and the Unified Commands, and the intelligence organizations in each of the military departments, all are subordinate, directly or indirectly, to the Secretary of Defense. Together these agencies spend 85 percent of the total U.S. intelligence funds and employ 85 percent of intelligence personnel. Nearly two-thirds of all DoD intelligence personnel are active duty military. Owing to their subordination within the Defense Department, these agencies benefit substantially from logistical and administrative support provided by DoD but not reflected in the funds allocated for national foreign intelligence activities.

Most of these agencies have multiple roles. Not only are they responsible for producing intelligence and analysis in response to national requirements, but they also respond to departmental and tactical requirements. Certain DoD intelligence agencies are designated by law as “combat support agencies,” signifying their roles in supporting tactical military operations.

The Department of Defense also is the largest single user of national intelligence. In times of war or crisis, its requirements take preeminence over those of other agencies. In addition to supporting military operations, national intelligence contributes significantly to other DoD functions such as planning force structures, making weapons acquisition decisions, and conducting relationships with foreign governments.

While the elements of the Intelligence Community that belong to departments other than the Department of Defense (such as the Bureau of Intelligence and Research within the Department of State, and the National Security Division of the Federal Bureau of Investigation) are, by comparison, very small, some of the same dynamics come into play. They receive their appropriations from their parent department; their personnel report, directly or indirectly, to the head of the department; and they have departmental duties and responsibilities wholly apart from their roles as members of the Intelligence Community.

Further, the DCI has at times been viewed by other agencies as less than an honest broker. Because he also heads the CIA, efforts on his part to exert control over other elements of the Community or to resolve differences between them tend to be viewed as biased, sometimes providing additional grounds for resisting the DCI's leadership.

Program and Budget Dynamics

Although the DCI has statutory authority to develop a separate budget for national intelligence, there is no separate appropriation for intelligence. Approximately 98 percent of this budget, including the funding for the CIA, is covered in the bill that appropriates funds for the Department of Defense. In practice, at the beginning of each budget cycle, the Secretary of Defense decides, in consultation with the DCI, how much of the Defense budget will be allocated for national intelligence. Once that decision is made, the DCI knows how much money he has to parcel among national intelligence activities, but the total budget decision is not his to make.

After the DCI has been given a budget number to work with, he must, in allocating the budget for national intelligence, take into account what the Department of Defense plans to spend on defense-wide and tactical intelligence activities that are funded separately from national intelligence activities. The amounts involved in funding these activities involve billions of dollars; and the activities themselves are diverse and complex. Yet if the DCI fails to take them into account, he may overfund some areas in his own budget and underfund others.

Even if he surmounts this challenge, the DCI confronts the difficulties presented by his own budget structure and process. The budget is broken into separate "programs," each of which, with the exception of the CIA program, is headed by a "program manager" outside the line supervision of the DCI. Moreover, the "programs" themselves are not organized around consistent principles or criteria. Some, such as the CIA program, pertain to an agency; others fund certain types of activities, such as signals intelligence or space activities. Like activities are not grouped together so that it is difficult for the DCI to identify waste and duplication or decide what activities should be reduced or increased. (See Chapter 7 for a fuller explanation of this problem as well as the Commission's recommended solution to it.)

Even after money for national foreign intelligence activities has been appropriated by the Congress, the DCI lacks the ability (except for the CIA) to know or control how it is spent. The current Executive Order requires that the DCI monitor how national intelligence programs are being implemented to judge whether they are accomplishing their objectives. The law requires that elements of the Community obtain the DCI's concurrence before

they “reprogram” funds for a purpose different from the one appropriated. However, the Executive Order and the law lack any enforcement mechanism. If an agency chooses to ignore the requirement and use national intelligence funds for its own departmental purposes, the DCI’s only remedy is to complain to the President or Congress, hardly a position of strength.

The DCI’s Dilemma

Notwithstanding his statutory authorities vis-à-vis the elements of the Intelligence Community, which on their face appear substantial, the DCI is left in a relatively weak position. It is not surprising, therefore, that most DCIs have chosen to spend the bulk of their time on their other major functions, serving as principal intelligence adviser to the President and head of the CIA.

In view of this situation, a fundamental organizational question facing the Commission was whether the concept of centralized control over the Intelligence Community should be preserved at all.

The Consequences of Decentralization

Some who spoke with the Commission urged that, in light of the intractable situation which any DCI faces, the Commission should recommend a return to a more decentralized system. Under this concept, the DCI would head the CIA and serve as the chief intelligence officer to the President. He would continue to “correlate and evaluate” all the intelligence held by the Government, but he would not attempt to manage an intelligence community by developing its budget. The Secretary of Defense and the heads of other departments with elements currently within the Intelligence Community would allocate the resources to these elements and provide guidance for their operations. The “national” agencies within DoD, i.e. NSA, CIO, and NRO, would continue to satisfy the requirements of non-DoD departments. In essence, this approach would resemble the state of play prior to 1970.

The advantage of this option would be to free the DCI of his Community responsibilities and allow him to devote full attention to advising the President and managing the CIA. Some argued that if the resources currently allocated for national intelligence programs had to compete more directly against other defense needs, they would receive more rigorous review. In view of the management shortcomings recently in evidence at the CIA, it was said that the Agency requires virtually full-time attention from the DCI.

The Commission carefully considered these arguments but concluded that returning to a more decentralized system would be a step in the wrong direction. In the Commission’s view, there are numerous and compelling reasons for retaining a centralized system:

- ◆ While national intelligence activities are largely funded through the Department of Defense, they also serve the requirements of the President and many other departments and agencies. Eliminating the DCI’s authority over these

activities is likely to mean that non-Defense requirements would receive progressively less attention. This is not to impugn the integrity of intelligence agencies within the Department of Defense, but simply to recognize the bureaucratic proclivities should the DCI be removed from the picture.

- ◆ The capabilities of intelligence agencies are expensive. There needs to be an objective central authority to inhibit waste and duplication. While one might argue that previous DCIs have failed in this role, it is difficult to conclude the role should not exist or that the DCI is an inappropriate person to fill it.
- ◆ Someone should be astride the entire system to objectively evaluate its overall performance—both in terms of what it produces and how its component parts relate to each other—and to correct the shortcomings. Again, some would question the effectiveness of previous DCIs in this regard, but few would contend that the function is not worthy.
- ◆ The United States needs an intelligence system that works together in peacetime and pulls together in crisis. There is a synergy created when the Intelligence Community works together. When it works at cross-purposes, the consequences can be devastating. President Truman created a Director of Central Intelligence largely because he was disgusted with the competitiveness and lack of cooperation that contributed to the disaster at Pearl Harbor. These conditions should not be permitted to return.

5-1. The Commission recommends that the existing system which provides centralized management of the Intelligence Community by the DCI be retained.

Structural Options Considered by the Commission

The Commission heard numerous proposals for restructuring the Intelligence Community during the course of its inquiry and also commissioned a separate “clean slate” analysis by an outside consultant. While there were considerable variations and permutations in these proposals, they generally fell into three basic models: (1) giving the DCI more direct authority over the “national” elements of the Intelligence Community; (2) reducing the DCI’s present responsibility for the CIA to allow more time for his two other major responsibilities; and (3) retaining the present structure generally but giving the DCI better means to carry out his community role. While these are not mutually exclusive options, they are considered separately below.

Giving the DCI More Direct Authority over “National” Agencies

Some recommended that the intelligence agencies within the Department of Defense which have the most substantial responsibilities for “national” intelligence, e.g. the National Security Agency, Central Imagery Office, and National Reconnaissance Office, be subordinated to the DCI. Under this approach, funding for these entities would be pulled out of the Defense budget and would be appropriated, together with the funding for

the CIA, directly to the DCI. These agencies would continue to satisfy Defense as well as national requirements and, in times of war or crisis, the Secretary of Defense would be given overarching authority to set requirements and priorities for intelligence collection.

The Commission rejected this approach for several reasons. First, while it is true these defense agencies provide considerable support to the Government as a whole, in times of war or crisis their capabilities are essential to the Defense Department's mission. Moreover, if not for that function, the national intelligence budget would be only a modest fraction of its present size. It seems prudent, therefore, to place these capabilities where they must relate to and support that mission. Indeed, for the large "national" technical systems operated by these agencies, the key challenge lies in tying these systems on a "real-time" basis to military forces in the field to a far greater degree than ever before. Thus, the justification for keeping them within the Department of Defense has grown stronger, not weaker. Second, subordination to the DCI would risk losing the personnel and logistical support now provided by the Department of Defense. While clearly the Department of Defense would retain a substantial interest in seeing these agencies operate effectively and retain, to some degree, their military character, if the military personnel levels were to decrease substantially, requiring comparable increases in civilian personnel, or the DCI had to reimburse the military for the logistical support now routinely provided, the costs to these agencies could increase substantially.

As a general proposition, the Commission believes it would be a serious mistake to weaken the relationship between intelligence and defense. While the DCI as head of the Intelligence Community may be in a position of relative weakness in relation to the Secretary of Defense, it must be understood that these agencies (other than the CIA) in all likelihood would not exist if there were no military justification. While they do satisfy the requirements of non-Defense agencies, they are nonetheless funded from Defense resources, staffed by Defense personnel, and vital to the performance of Defense functions. To alter this relationship would pose considerable risk, in the view of the Commission, to the continued support of these activities.

Reducing the DCI's Responsibility for the CIA

Many believe the DCI should be relieved of the responsibility of running the CIA in order to devote more attention to the Intelligence Community and to serve as principal intelligence adviser to the President. (This idea has been suggested in various forms since at least 1961.)

Those who favor this approach also generally favor the creation of a Director of National Intelligence (DNI) who would preside over an Intelligence Community which included a Central Intelligence Agency headed by a separate "Director of the CIA." Most also would separate the analytical function from the CIA and place it under the DNI to support him in his role as presidential adviser, leaving CIA strictly as an operational element. Thus, the DNI would have responsibility for establishing policy for the Intelligence Community (e.g. setting collection requirements and priorities), for resource allocation for the Community, and for "national" analysis. The Director of the CIA, on the other hand, would not be distracted by other duties and could devote full time and attention to the Agency's sensitive human source collection and operational missions.

The Commission carefully considered this option but does not endorse it. Removing the Director (DCI or DNI) from direct control of CIA operations would deprive him of an important source of his authority. The operations of the CIA form a unique aspect of U.S. intelligence. Having direct responsibility for those operations and communicating the results of those operations to the President and other recipients are important and traditional elements of the DCI's power. Separating CIA's analytical and operational functions also would have costs. As discussed in Chapter 6, the steps being taken at the CIA to move the two functions closer together appear to be producing dividends for both the analysts and the collectors. While this "partnership" needs to be carefully managed to avoid undue reliance on, or uncritical acceptance of, human source reporting, the Commission is not persuaded that the analytic element should be artificially removed from CIA. The Commission is reluctant to recommend the creation of an additional organization under a DNI, albeit one constructed of existing offices and components, in the absence of a clear showing that it is needed and preferable to other alternatives.

Giving the DCI Better Tools to Carry Out His Community Role

The Commission received many suggestions to improve the DCI's ability to carry out his responsibilities as head of the Intelligence Community within the context of the existing framework. These included proposals calling for new and expanded staff support, the creation of advisory mechanisms, and the establishment of functional managers for collection, analysis, and infrastructure on the DCI's staff. While some of these ideas have merit, others appeared unworkable. For example, the idea of creating separate agencies or functional positions on the DCI's staff to manage all collection, all analytical activities, and all infrastructure activities across intelligence agencies seemed to the Commission to be infeasible. The number of activities in each category is so large and diverse that managing them as a whole would require expertise and organizations that do not now exist in the Intelligence Community. To create new agencies or a new bureaucratic level of functional managers would be both costly and disruptive without producing clear benefits over the existing system.

The Commission did conclude that the development of an improved framework in which the DCI exercised his Community role—while perhaps not the most dramatic option available—was, nonetheless, the most sensible one. The Commission believes that the DCI's existing legal authorities with respect to the Intelligence Community are, on the whole, sufficient, but that certain enhancements to those authorities are desirable.

5-2. The Commission recommends that:

- ◆ **The Director of Central Intelligence should continue to serve as the principal intelligence adviser to the President, head of the Intelligence Community, and head of the CIA.**
- ◆ **The DCI should continue to be appointed by the President, serve at his pleasure, and report to him.**

- ◆ **A Committee on Foreign Intelligence of the National Security Council should be created to provide the DCI with policy guidance with respect to national foreign intelligence priorities and activities, as explained in Chapter 3.**

- ◆ **The DCI should have two Deputies, each appointed by the President and confirmed by the Senate: one Deputy (to supersede the existing Deputy Director of Central Intelligence) to be designated Deputy Director for the Intelligence Community, serving at the pleasure of the President and as acting DCI in the absence of the DCI; a second Deputy to be designated Deputy Director for the Central Intelligence Agency, and appointed for a term not to exceed six years (with the President reappointing the Deputy every two years). Each Deputy must be provided sufficient professional staff to assist in the execution of his or her responsibilities.**

- ◆ **A senior advisory body, such as the current Intelligence Community Executive Committee³ (“IC/EXCOM”), should serve as the DCI’s principal advisory and coordinating body and as the conduit for the DCI’s direction to the Community. A zero-based review should be conducted of other advisory and coordinating bodies within the Intelligence Community to ensure they continue to serve a useful purpose.**

- ◆ **The DCI should concur in the appointments of the Directors of the National Security Agency, National Reconnaissance Office, and Central Imagery Office (or its possible successor, the National Imagery and Mapping Agency) when made by the Secretary of Defense, or concur in the recommendations of the Secretary when such appointments are made by the President. The DCI should be consulted on the appointments of the Director, Defense Intelligence Agency; the Assistant Secretary of State for Intelligence and Research; the Assistant Director, National Security Division of the FBI; and the Director, Office of Nonproliferation and National Security of the Department of Energy.**

- ◆ **The Directors of the National Security Agency and Central Imagery Office (or its possible successor, the National Imagery and Mapping Agency) should be dual-hatted as Assistant Directors of Central Intelligence for Signals Intelligence and Imagery, respectively, and report to the DCI in those capacities. As elaborated in Chapter 7, both of these Assistant Directors should be given expanded program and budget responsibilities for the intelligence activities in their respective areas. While both Directors would**

³ The IC/EXCOM, chaired by the DCI, includes the Deputy DCI; the Deputy Secretary of Defense; the Vice Chairman, Joint Chiefs of Staff; the Directors of NSA, NRO, CIO, and DIA; the Assistant Secretary of State for Intelligence and Research; the Chairman of the National Intelligence Council; the Executive Directors for Intelligence Community Affairs and for the CIA; as well as others with key responsibilities in the intelligence area, including the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence, and the Under Secretary of Defense for Acquisitions and Technology.

remain subordinate to the Secretary of Defense, the DCI should have an opportunity to comment upon their performance in their Assistant DCI capacities prior to their being rated by the Secretary of Defense.

- ◆ **As elaborated in Chapter 7, the budget for national foreign intelligence activities should be restructured and the budget process revised and reinvigorated to improve the ability of the DCI to manage intelligence resources.**
- ◆ **As elaborated in Chapter 9, the DCI should be given additional authority over Intelligence Community personnel.**

The Commission believes that adoption of these recommendations would provide a stronger framework for the exercise of the DCI's Community responsibilities without interfering unduly or inappropriately with the authorities and prerogatives of the policy department heads who "own" the intelligence components affected. If this unique effort to manage across department and agency lines for the good of the nation is to succeed, however, some deference must be paid to the DCI's responsibilities.

Having a separate Deputy Director for the Intelligence Community appointed by the President and confirmed by the Senate would provide the DCI with a senior manager of stature who can be looked to by both the Executive branch and the Congress as an authoritative spokesman and "alter ego" of the DCI on Intelligence Community matters. To carry out the responsibilities of this position, the Deputy would require a strong staff of diverse skills. The existing staff which performs this role, the Community Management Staff, should be expanded in number and should comprise both permanent positions as well as positions filled by professionals on rotational assignments from agencies within the Intelligence Community. The Deputy should direct this staff to perform management audits and otherwise assure that the DCI's policies are being properly implemented and that performance standards are being met.

Having a separate confirmed deputy for the CIA would provide the DCI with a senior assistant of stature to administer the day-to-day operations of the CIA while leaving ultimate responsibility with the DCI. As elaborated in Chapter 6, the Commission believes it is preferable for this position to have greater stability to achieve continuity of management. Having confirmed deputies in both positions should provide the DCI greater freedom to choose where to devote his energy.

The Commission believes it is important that the DCI have an active body composed of the heads of intelligence agencies as well as others with key responsibilities for intelligence to be his principal source of advice and to serve as the principal conduit for his directions to the Intelligence Community. While the current IC/EXCOM is structured to provide the DCI this kind of support, the use of similar coordinating bodies in the past has not been consistent. For the DCI to carry out his Community responsibilities effectively, the community coordinating body must have permanence and must play an active, "hands-on" role.

The Commission further urges that the DCI direct a zero-based review of the numerous advisory committees, working groups, boards, and committees within the Intelligence Community to determine which continue to serve a useful purpose. While many appear to undertake well defined and helpful functions, others seem to have confusing missions that do not facilitate management of the Intelligence Community.

Requiring the DCI's concurrence in the appointment of the Directors of NSA, NRO, and CIO, when made by the Secretary of Defense, or his concurrence with the recommendation of the Secretary when such appointments are made by the President, would represent a change to existing law which requires only that the Secretary of Defense consult the DCI with regard to the NSA and NRO appointments.⁴ The Commission believes more involvement by the DCI in the appointment of these Directors is desirable in light of the current roles each of these agency heads plays in the national intelligence and in light of the expanded roles each will play if the Commission's recommendations are adopted.

The Commission also believes that the DCI should be consulted with respect to the appointments of the Director, Defense Intelligence Agency, the Assistant Secretary for Intelligence and Research (State Department), Assistant Director, National Security Division (FBI), and the Director, Office of Nonproliferation and National Security (Department of Energy).

With respect to the appointment of the Director, DIA, consultation with the DCI is already required by existing law.⁵ While the responsibilities of the Director principally involve support to the Department of Defense, they also include significant national roles. (See the discussion in Chapter 10.) While the State and DOE officials identified also manage activities that primarily support departmental requirements, their organizations similarly play substantial roles in Intelligence Community activities, including the production of National Intelligence Estimates.

The Assistant Director of the FBI's National Security Division is the senior official responsible for U.S. counterintelligence activities within the United States. The DCI is responsible for coordinating U.S. counterintelligence activities abroad. The two functions necessarily require extensive interaction. The cooperative arrangements between the FBI and the CIA which have grown out of the Ames case must be sustained and preserved. One way of doing so would be to give the DCI an opportunity to consult on the appointment of the senior FBI official responsible for counterintelligence matters. Providing the DCI with the opportunity to consult on the appointment of these officials would not alter the reporting relationships that now exist, but should result in greater cohesion among senior Intelligence Community managers.

⁴ See Section 106 of the National Security Act of 1947. The head of NSA is a military officer whose selection as head of the agency usually carries with it a promotion in rank. The head of the NRO is ordinarily a civilian political appointee. These appointments are usually made by the President based upon the recommendation of the Secretary of Defense. Pursuant to existing law, the Secretary of Defense appoints the Director of the Central Imagery Office, currently a civilian, based on the recommendation of the DCI. The current proposal to subsume the Central Imagery Office into a National Imagery and Mapping Agency, discussed in Chapter 11, calls for the Director of the new agency to be a military officer whose appointment, like the Director, NSA, would presumably be made by the President in most circumstances.

⁵ Section 106(a) of the National Security Act of 1947.

In a similar way, dual-hatting the Directors of NSA and the CIO as Assistant Directors of Central Intelligence for Signals Intelligence and Imagery, respectively, is intended to establish more formally their roles within the Intelligence Community. These roles would be considerably expanded in the resource management area if the Commission's budget recommendations are adopted. (These are explained in detail in Chapter 7.) Formalizing their roles at the national level also provides a logical basis for allowing the DCI to comment on their job performance prior to being rated by the Secretary of Defense.

In sum, the Commission does not believe it is necessary to recommend new legal authorities to enable the DCI to perform effectively the three key functions of leading the CIA, serving as the President's principal intelligence adviser, and guiding the Intelligence Community.⁶ However, the Commission believes the adoption of the recommendations outlined above would put the DCI in a far stronger position to carry out these responsibilities. They would provide permanent support mechanisms and give the DCI a stronger hand in his relationships with the heads of the agencies within the Community. It is also important that these recommended organizational changes be understood as part of the significant budget realignment proposed in Chapter 7, along with the personnel proposal outlined in Chapter 9. Taken together, these recommendations should enable the DCI to re-engineer and manage a stronger and better coordinated intelligence apparatus.

⁶ While the DCI's overall legal authorities are generally sufficient, additional authority will be required to implement the personnel program recommended in Chapter 9.

The Central Intelligence Agency

CHARGES of mediocre performance, lapses in management, and loss of direction at the Central Intelligence Agency played a major role in the formation of this Commission. The Aldrich Ames debacle, in particular, was seen by many as a sign that the CIA needed a major overhaul.

During the short tenure of the Commission, the CIA was buffeted by more allegations of wrongdoing and weak management in connection with its conduct in Guatemala and its dissemination of insufficiently caveated reporting from known Soviet double agents, and by the French Government's public complaints about CIA espionage activities. These incidents color the public's perception of U.S. intelligence overall. Although it is only one of thirteen agencies in the Intelligence Community and accounts for less than one-eighth of the total intelligence budget, for most Americans, the CIA *is* U.S. intelligence. Given CIA's prominence in the public eye, the Commission concluded that it was appropriate to devote a separate chapter of its report to an examination of the CIA's mission and management.

CIA's Mission

The CIA was established by the National Security Act of 1947 as an independent agency under the direction of the National Security Council. Its principal mission was to "correlate and evaluate intelligence relating to the national security, and provide for the appropriate dissemination of such intelligence within the Government."

One of the main objectives in creating the CIA was to prevent a repeat of the Pearl Harbor intelligence failure, where bits of information that might have provided warning of the Japanese attack were not woven together as they should have been. The National Security Act permitted departments and agencies to continue to collect and disseminate "departmental" intelligence, but CIA was given the responsibility for coordinating and evaluating all "national" intelligence, i.e. intelligence relevant to more than one department or agency.

Over the years, the CIA also became the principal clandestine collector of intelligence from human sources. Indeed, in the public eye, this latter role has largely overshadowed the Agency's original role as an information clearinghouse.¹ CIA also has responsibility for carrying out covert action programs as may be approved and directed by the President. (See Chapter 2 for a further description of covert action programs.)

¹ Although the National Security Act of 1947 did not specifically authorize the CIA to engage in intelligence collection, it is clear from the legislative history that Congress expected the NSC to give the CIA such authority. In 1992, Congress amended the National Security Act specifically to authorize the CIA to collect foreign intelligence from human sources and also to provide overall direction for human intelligence collection by other elements of the U.S. Government. Intelligence Authorization Act For 1992 § 705, 50 U.S.C. § 403-3(d)(1)(Supp. 1995).

Traditionally, the CIA has focused on serving the President, the NSC, and departments and agencies in the Executive branch. In recent years, CIA also has provided extensive substantive analysis to the Congress, a role specifically acknowledged in the 1992 amendments to the National Security Act.

Organization of the CIA

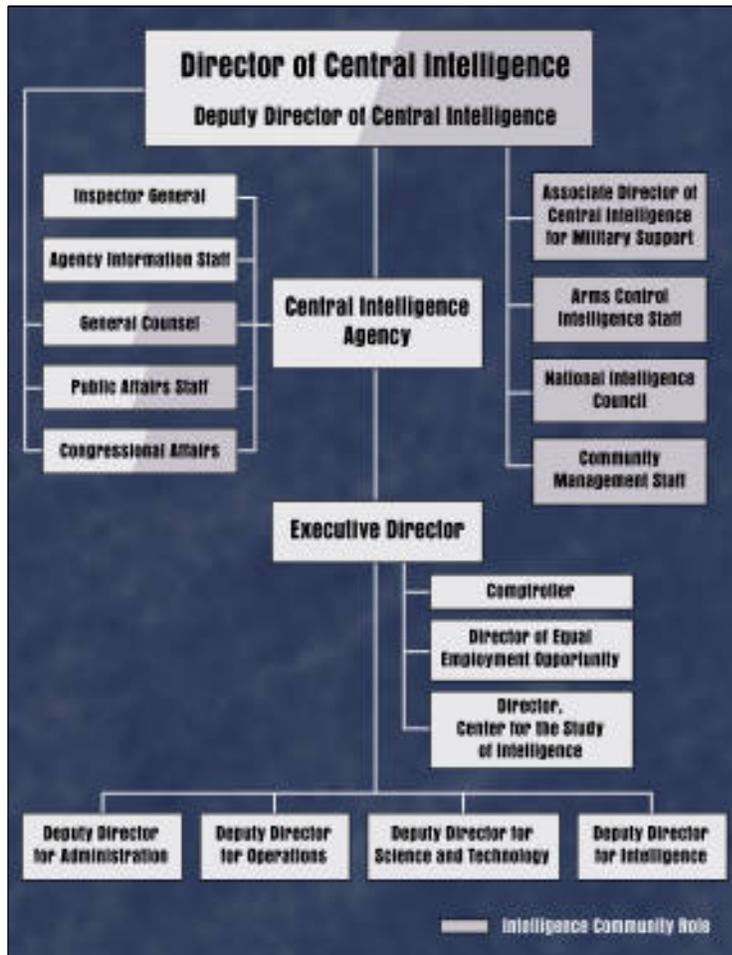


Figure 6:1 Organization of the Central Intelligence Agency

The CIA is divided into four major divisions: the Directorate of Operations (DO), the Directorate of Intelligence (DI), the Directorate of Administration (DA), and the Directorate of Science and Technology (DS&T). Each is headed by a Deputy Director.

The DO, or Clandestine Service, is responsible for collecting foreign intelligence from human sources (“assets”) around the world and for conducting covert action programs. The DI consists of analysts who prepare “all-source” assessments of foreign events and individuals based on intelligence collected by the DO and by other agencies. The DS&T houses a number of technical collection programs (including the Foreign Broadcast Information Service, which monitors foreign print and broadcast media) and provides technical support to the DO. The DA provides administrative support for the entire Agency.

The DCI (and in his absence, the DDCI) is the statutory head of the CIA. As discussed in Chapter 5, although the DCI is also the head of the Intelligence Community, in practice most DCIs spend the bulk of their time managing the CIA. For much of its history, CIA’s senior management also has included an Executive Director, a non-statutory position that has fluctuated in duties and importance. The current DCI has delegated extensive responsibilities to the Executive Director and has directed CIA’s four Deputy Directors to report through her.

Criticisms of the CIA

Most criticism of the CIA has been leveled at the DO, which during the past year alone has been alleged to have lied to or misled Congress, disseminated misleadingly

sourced intelligence reports, and associated with governments and individuals engaged in human rights abuses. In 1994, the DO was shaken by the worst spy scandal in U.S. history when Aldrich Ames was arrested for having passed information about CIA's most sensitive operations to the Soviets for more than eight years. As a result, many of the DO's most productive Soviet assets were executed or imprisoned. Many subsequent Soviet assets were later determined to have been controlled by the KGB. The DO previously had experienced failures in its agent operations against Cuba and East Germany.

CIA's intelligence analysis also has come under occasional criticism, for example, for failing to predict the Iranian revolution, the breakup of the Soviet Union, and the Iraqi invasion of Kuwait. From time to time, CIA has been accused of politicizing or coloring its analysis to support (or undermine) Administration policies or to bolster the rationale for CIA's own operations.

The Commission did not conduct an independent factual inquiry into any of these incidents, all of which have been thoroughly investigated by Congress, the President, and/or CIA's own Inspector General. The Commission did interview many of the individuals involved in these incidents, including the recent DCIs, DDCIs, and DDOs, as well as others familiar with CIA operations, to understand what systemic failures may have led to them.

Criticism of CIA's performance must be assessed in the overall context of its work. The DO has recruited numerous human sources over the years who have provided unique and significant information for the U.S. Government. Some of this information has been vital to the success of U.S. diplomatic initiatives. Other information has provided critical insights into military developments in the former Soviet Union and in certain rogue states. Intelligence from CIA sources has contributed to the identification and capture of a number of major terrorists. Information collected by the DO has also been key to the success of operations carried out by other agencies. Despite some prominent exceptions, the great bulk of the CIA's collection operations have not been compromised. In short, the Commission found that the DO has had, and continues to have, important successes in an extremely difficult, highly risky, business.

In addition, CIA's covert action programs have thwarted terrorist attacks, brought down drug kingpins, and accomplished U.S. objectives without the introduction of U.S. military forces. CIA's DS&T shares credit for some spectacular achievements in overhead imagery and signals intelligence. CIA's analysts produce thousands of intelligence assessments annually with judgments that are right far more often than they are wrong. The Agency's employees are among the most dedicated and capable in the Federal government.

Conclusions and Recommendations

Against this background, the Commission considered whether there was a continued need for the CIA.

The Commission believes the original rationale for creating a Central Intelligence Agency remains valid. The President and Congress require a strong and independent intelligence organization that can integrate information from all sources and provide judgments

that are not colored by departmental biases. Whether conscious or unconscious, these biases are not illusory. The President and Congress would not be well served if they were to depend solely on intelligence produced by the cabinet departments.

The Commission also finds that the function of collecting human intelligence is essential. Signals intelligence and other forms of technical collection are extremely valuable and frequently are the best source of information about some targets. Such forms of collection also are less likely to cause diplomatic and political flaps. They do not, however, provide sufficient access to targets such as terrorists or drug dealers who undertake their activities in secret or to the plans and intentions of foreign governments that are deliberately concealed from the outside world. Recruiting human sources—as difficult, imperfect, and risky as it is—often provides the only means of such access. While CIA’s espionage operations have been far from flawless, we are not persuaded that they would be conducted any better by the Departments of State or Defense.

In addition, as discussed in Chapter 2, the Commission believes that the nation needs to retain a covert action capability and that the capability is best performed by those intimately familiar with clandestine intelligence activities.

Some witnesses suggested to the Commission that the two principal functions of the CIA—human source collection and analysis—should be split apart and housed in separate agencies in order to provide separate, dedicated management of operations, ensure that analysts do not rely too heavily on HUMINT reporting, and encourage outside experts to participate in the analytical process. While the Commission sees some merit in this proposal, it concluded that any potential benefits that might be obtained are outweighed by the costs and uncertain results of splitting the two functions into separate organizations. Indeed, recent efforts to interweave these functions more closely appears to be producing benefits for both functions, as described later in this chapter.

The Commission concludes that the functions the CIA currently performs remain necessary and are not likely to be performed better elsewhere in the Government. It is clear, however, that substantial changes in the Agency’s management and method of operation are needed to reduce the likelihood of additional internal breakdowns and instances of poor performance. The CIA has taken a number of actions recently to address these problems, but more should be done.

Maintaining Greater Continuity at the Top

The CIA has had six DCIs or Acting DCIs and three DDCIs in the last five years. This would be a high rate of turnover even for a cabinet department or agency more accustomed to rapid political change, and it has taken a serious toll on the CIA. Employees have been left to wonder which policies remain valid, important initiatives have been put on hold, and there has been enormous uncertainty about the direction of the Agency. There also has been a troubling loss of institutional memory at the top: too much has “fallen through the cracks” because Directors were not briefed on what their predecessors knew.

Some have suggested that the DCI serve a fixed term to remove the CIA from political influence and to provide continuity of leadership. An analogy is frequently drawn to the Director of the FBI, who is appointed for a term not to exceed ten years. The Commission

rejected this approach. Unlike the Director of the FBI, who in recent decades has had little contact with the President, the DCI is the President's principal intelligence adviser. If the President does not have confidence in the DCI, he will not rely on him. For this reason, the Commission believes that each President must have the flexibility to appoint his own DCI.

On the other hand, greater continuity in the leadership of the CIA is clearly desirable. The CIA needs an experienced senior leader who can focus his or her attention exclusively on directing the organization and its operations over a long enough period to ensure consistency.

The Commission concluded that its proposed Deputy DCI for the CIA—the new statutory, Senate-confirmed position which the Commission recommends be created to manage the CIA—optimally should be in place for six years. There should be a presumption that the incumbent would serve for the entire term. To ensure, however, that a DCI retains the ability to make changes in the position should the incumbent prove incompatible, the Commission believes the appointment should be for a series of two-year terms. A similar arrangement governs the appointment of the Chairman of the Joint Chiefs of Staff.

6-1. The Commission recommends that the DDCI for the CIA be appointed for a term not to exceed six years and be subject to reappointment by the President at the end of each two-year period.

Strengthening Management of CIA Operations

All organizations need strong managers. CIA has a greater need than most since its operations require a high degree of judgment and often involve significant risk for the United States. The Agency needs managers who are skilled, savvy, and decisive, who understand not only the craft of espionage, but the broader environment in which they operate, including how their work supports the mission of the Agency as well as complements other activities of the Government.² The importance of selecting, training, and supporting managers to fulfill the Agency's mission cannot be overstated.

The Commission believes that the current system for selecting and training CIA's managers should be considerably strengthened. Overall, a more comprehensive, systematic approach to improving the quality of its managers is required. Such an approach would encompass all aspects of a manager's development within the system—from selection, to promotions and assignments, to training and career development.

Most of CIA's managers have been promoted to their positions principally because they were good case officers or analysts, not necessarily because they demonstrated good managerial skills. Some have turned out to be excellent managers, and others have not. The Commission believes a better evaluation system is needed to identify individuals with the judgment and leadership skills required of good managers. At the same time, separate

² The discussion that follows focuses primarily on improving the management of the DO and its operations, which we generally perceive as being the cause of most of the CIA's difficulties. Many of our suggestions for improving management of the DO, however, are equally applicable to other parts of the CIA and to other elements of the Intelligence Community.

career tracks for senior case officers and senior analysts should be given greater emphasis so that they can be promoted to appropriately high grades and pay levels without having to become managers.

6-2. The Commission recommends that the CIA place greater emphasis on identifying and promoting individuals with demonstrated management skills into management positions. Separate career tracks should be maintained for senior case officers and senior analysts to allow them to be promoted without becoming managers.

CIA's Inspector General has consistently found that training in the CIA needs to be improved. Although the Agency devotes significant resources to training and many of its programs are highly effective, training continues to be decentralized. Decisions about what is needed and who should have it are left to the individual directorates. Unlike many large companies and the military services, CIA's directorates have tended to view training mainly as a way for employees to develop specific skills rather than as a vehicle for the Agency to promote or reinforce long-term corporate or professional goals and values. Management training has been especially weak. Not all CIA managers have been required to take even those courses that are available, and there has been insufficient emphasis on the fundamentals of good management, such as team building, objective-setting, record-keeping, coordination, and relations with Congress.

6-3. The Commission recommends that the CIA place a higher priority on training, especially training in management skills for those in, or likely to be in, management positions. Training should be treated as a continuous part of career development at all levels and should be used to inculcate goals and values as well as develop management skills. Instructors should be chosen from among the most able officers.

In several of the recent cases where the CIA has been publicly criticized, senior CIA managers have claimed not to have been informed of operational problems. On the one hand, given the nature and breadth of the CIA's operations around the world, it is unreasonable to expect senior managers to be told about every potentially risky operation or every operational problem. Raising every decision to senior levels would stifle initiative and bog down the system. On the other hand, some of the matters managers claim not to have been informed of go to the heart of the Agency's business, such as a possible penetration of the CIA and dissemination of tainted information to the President and Congress.

While CIA employees are already subject to extensive regulations regarding the approvals required to undertake certain kinds of operational activities, it is apparent that significant information is often not surfaced to senior management, including the DCI and Deputy DCI. Indeed, part of the problem may be that there are too many such regulations for employees to be aware of them all. What is needed is clear guidance about specific issues or concerns that need to be cleared with senior managers in advance or briefed to senior managers after action is taken. CIA's senior managers should be able to expect not to be surprised.³

³ During his tenure, DCI Colby issued a "no surprises" directive after being shocked to learn of a number of Agency operations about which he had not been briefed. While such actions do not tell employees *what* managers want to know about, they at least emphasize the need for better information flows.

6-4. The Commission recommends that CIA establish clear guidelines regarding the types of information that should be relayed to senior Agency managers. While it is impossible to anticipate all matters about which senior managers should be informed, a comprehensive review of past internal breakdowns would help identify the general categories of information that should be passed up the chain. The Commission also recommends that the Agency conduct a “zero-based” review of its regulations to simplify and clarify the applicable rules.

Reducing the Insularity of the DO

It has become almost a cliché to attribute CIA’s recent failures to the “culture” of the DO. Critics say that the “cultural” problem fosters arrogance, parochialism, disdain for oversight, lack of diversity, and tolerance of inadequate professional performance and personal misbehavior. The CIA has taken a number of actions since the Ames case to address these perceived flaws including increasing opportunities for women and minorities and creating “accountability boards” to identify and deal with operational and suitability problems.

While these are laudable steps, they do not address what the Commission believes is an important aspect of the “culture” problem: the organizational insularity of the DO. Operations officers usually enter as young college graduates, are educated by the CIA in the espionage business, and often retire 30 years later, having spent the bulk of their lives overseas. Many have relatively little interaction with policymakers, members of Congress, and the private sector. Because of the complexity and unique nature of the espionage business, the DO hires virtually no lateral personnel, thus losing an important source of new ideas. Relatively few DO officers are assigned to rotational positions in other CIA directorates or outside the CIA because such assignments are not viewed as career-enhancing.

Concerned with protecting its sources, the DO too frequently has isolated itself from other elements of the Intelligence Community. This isolation often has been perceived as arrogance and disdain by other parts of the Community, which react with hostility.

6-5. The Commission recommends that the CIA rotate more DO case officers through assignments in the other directorates, other agencies in the Intelligence Community, policymaking agencies, congressional staffs, and the private sector. Promotional incentives should be created for DO personnel to take these assignments. CIA should also explore opportunities for increasing lateral hiring into the DO from the private sector.

In the end, whatever improvements might be made in the management of CIA operations will not prevent problems from occurring. Collection from human sources inherently involves risk, and sometimes it will backfire. As long as the United States continues to conduct clandestine operations around the world—operations that are carried out in secret, against the wishes of other countries, and often involve individuals with unsavory backgrounds—embarrassing incidents will occur. If the United States is to maintain a clandestine intelligence capability—and the Commission is convinced that it should—it must be prepared to accept such episodes as part of the cost of doing business. Where problems are due to wrongdoing or incompetence, appropriate personnel actions must be taken. But where a reasonable basis exists for the actions taken by CIA employees, they

ought to be supported, even if their actions ultimately resulted in embarrassment or failure. Espionage, by its very nature, demands people who are aggressive and willing to take risks. The CIA cannot provide and sustain such a climate if the judgments of its employees are subjected to repeated second-guessing based upon the advantages of hindsight.

CIA's Approach to Foreign Intelligence Collection

As part of its inquiry, the Commission reviewed the plans developed by the CIA to govern its approach to foreign intelligence collection in the face of a changing global environment and declining resources. It is clear the Agency has given considerable thought to the subject. Nevertheless, the Commission has several suggestions of its own.

First, the Commission believes that CIA's recruiting efforts should focus on those "hard" targets that cannot be adequately covered by other means. These would include the "rogue states" whose activities threaten U.S. interests, states that deny access by the outside world to their territory, and transnational groups that threaten U.S. security. The CIA should be working against these targets, wherever and however they may present themselves, as its first priority. Collection against lesser targets which is more easily accomplished but is relatively unimportant to U.S. interests should be avoided. In the view of the Commission, it is preferable to try against the hard targets and fail, rather than to succeed against easier but unimportant targets.

Second, although the strength of the DO depends on its ability to recruit new agents, the Commission believes that DO officers should be evaluated and rewarded on the basis of the total contribution they make to meeting the mission and goals of the service, rather than simply on the number of agents they recruit. Talented handling of agents, team work in large operations, designing operations, counterintelligence skills, various types of staff work—all deserve recognition. In addition, each country has its own group of influential and knowledgeable individuals who do not necessarily need to be "recruited" to provide valuable information, especially in time of crisis. The DO should ensure that its officers devote sufficient effort to establishing and maintaining contacts with these individuals and that appropriate recognition is given to those who succeed in doing so.

Finally, the Commission believes that the CIA should maintain a strategy of "global presence" by maintaining offices in most countries. The offices need not be large, and not all of the offices need to engage in recruiting agents. There are many countries where such activities are either inappropriate or unnecessary. Recent experience, however, has shown that it is difficult to know where U.S. interests will be engaged. Where they are engaged, it is often critical for the U.S. Government to have a relationship with local intelligence services which are well informed about local conditions and can broker important contacts. With the U.S. diplomatic presence itself shrinking, the need for a CIA presence becomes even more compelling. The cost of maintaining such offices is relatively small. A single crisis could easily justify the expense.

The DO-DI Partnership

For most of their history, CIA's Directorate of Operations (DO) and Directorate of Intelligence (DI) have had relatively little direct interaction. To protect its sources, the DO practiced strict compartmentation in its collection operations around the world. The DO provided reports to DI analysts, but most DI analysts generally had little information about the identity or position of the source or how he or she was recruited.

Starting in 1994, the DO and the DI commenced a new experimental "partnership" whereby corresponding geographic units of the two directorates engage in closer coordination of their activities and in some cases are physically co-located. Although the level of coordination has varied from unit to unit, in many cases analysts are allowed to read operational cable traffic, learn the identities of sources, and be informed about specific operations.

Many who spoke to the Commission believe the new "partnership" arrangement has significant advantages. Analysts help operators better target their recruitments and exploit their sources. A more objective look at the stream of reporting is also provided by an "outsider" who can help to identify suspect sources. Partnership gives DI analysts a better understanding of the access and reporting of clandestine sources and therefore enables them to better assess the value of the information provided. Analysts can also draw more easily on the knowledge of DO personnel who have lived in the area of concern and can bring "ground truth" to an issue.

While the Commission acknowledges these benefits, it also sees a serious pitfall. An overly close relationship between DO operations and DI analysts might lead to a mutually protective bias. Such a bias could adversely affect the objectivity of all-source analysis that must evaluate the inputs of all intelligence disciplines, foreign service reporting, and open-source data. It could cause HUMINT reporting to be given undue weight over other available information. In our view, this danger is real enough to warrant continuing close attention by the DCI. The President and senior policymakers must be assured that all-source analysis and assessments are based on fully objective reviews of all available information.

The Commission believes the "DO-DI partnership" should continue to be viewed as an experiment subject to frequent review and evaluation until it is clear the problem of bias can be, and has been, overcome.

CIA's Counterintelligence Posture

During the seven years prior to the arrest of Aldrich Ames, the counterintelligence posture of the CIA was criticized in numerous internal and external reports. While certain organizational changes were made as a result of these reports, counterintelligence clearly remained the "weak sister" among the Agency's functions.

In 1994, however, as a result of the Ames case, this changed significantly. The DO now ensures that counterintelligence experts (which include detailed FBI personnel who occupy key positions) are involved in assessing source reporting for counterintelligence

implications. CIA's relationship with the FBI generally has been clarified. There is now more effective coordination between personnel security and counterintelligence functions at the CIA, and a new office has been created to pull together and evaluate in one place information that might reveal a security problem with respect to an employee. There are also new requirements for employees to report financial information and foreign travel, new procedures for use of the polygraph, additional training required in counterintelligence, and a requirement that DO officers serve rotational tours in counterintelligence positions. While it is still too soon to assess the overall effect of these measures, the Commission was able to find little else to recommend.

Given the history of counterintelligence failures in CIA operations, however, the Commission remains concerned that the counterintelligence function may not have found its permanent place in CIA's overall foreign intelligence mission. For now, the pendulum has swung in one direction. Under the intense pressure created by the Ames case, the DO appears to be taking counterintelligence very seriously. In time, however, the pendulum may swing back and counterintelligence may return to its "weak sister" status.

The challenge for the CIA is to find and maintain an equilibrium between the "positive" intelligence and counterintelligence functions. Counterintelligence experts must be in a position to evaluate and challenge what collectors are doing (e.g. who they are recruiting and the veracity of what their sources are saying) without discouraging initiative and risk-taking by collectors. Counterintelligence must be genuinely regarded as integral to the foreign intelligence mission, and yet not dominate that mission. It is a delicate balance, and it remains to be seen whether the CIA has found it.

The Need for an Effective Budget Structure and Process

THE annual budgets for U.S. intelligence organizations constitute one of the principal vehicles for managing intelligence activities. They reflect decisions on whether to expand or cut existing activities and whether to initiate new ones, thereby molding future capabilities. How effectively and efficiently the Intelligence Community operates is to a large degree a function of how these budgets are put together and how they are approved and implemented.

The budget process for most departments and agencies is relatively straightforward. A budget is prepared in accordance with the funding level approved by the President and submitted to Congress as part of the President's annual budget. After its review, the Congress appropriates funds for the agency concerned.

Where intelligence—a function, rather than an agency—is concerned, the budget process is more complex. This complexity exists essentially for two reasons. The DCI is charged by law with developing and approving a budget for “national” foreign intelligence activities that cut across departmental and agency lines. In addition, the budget developed by the DCI for “national” intelligence activities is but one of three resource aggregations that make up the overall intelligence budget. The other two aggregations are funded separately by the Department of Defense.

The implications of this arrangement for the DCI and the intelligence function are explained below.

The National Foreign Intelligence Program Budget

The budget for national intelligence programs is known as the National Foreign Intelligence Program (NFIP) budget. In theory, the NFIP funds all of the foreign intelligence and counterintelligence activities of the Government that respond to “national” needs, as opposed to the needs of a single department or agency. Put another way, it funds the activities of the U.S. Intelligence Community, as defined in law and described in this report.¹

Intelligence activities compete with other funding priorities of the parent department or agency that manages the intelligence unit(s). The funds appropriated for NFIP activities are made available to the parent department or agency and not to the DCI.² Thus, intelligence funds represent a part of the budgets of the several departments and agencies which maintain intelligence elements with national responsibilities. In developing a single “national” foreign intelligence budget, the DCI must first accommodate the funding levels

¹ The intelligence organizations of the Departments of the Army, Navy, and Air Force also receive significant funding outside of the NFIP.

² Funding for the CIA is appropriated to the Department of Defense, which transfers it to the CIA.

and priorities of the department or agency that “owns” the intelligence element(s) concerned. At the same time, the DCI must devise an overall intelligence program to satisfy national needs.

DoD “owns” the preponderance of national intelligence capabilities and its intelligence spending accounts for about three-fourths of the NFIP. When DoD spending is combined with CIA spending (which also is funded in the Defense budget for secrecy reasons), they constitute virtually all of the total budget for national intelligence. For all practical purposes, therefore, the amount determined by the Secretary of Defense, in consultation with the DCI, for “national” intelligence activities within the Defense budget is the National Foreign Intelligence Program budget.

From the overall level established for the NFIP, the DCI establishes funding levels for certain component “programs,” each of which is administered by a separate “program manager.”³ These program managers perform the detailed work of assembling the budgets for each program which are ultimately reviewed and submitted to the DCI for approval. To succeed in their task, program managers must understand the information requirements likely to be placed on them and decide how best to satisfy them. For the costly technical disciplines, program managers must try to divine what technological capabilities are likely to be available and needed during the next five to 10 years so that funding can be included in their budget requests. They also must decide, given the amount of funding they have to work with, where tradeoffs have to be made, for example, should more be allocated to collection or processing? To personnel or investments in new technology?

Intelligence Programs Separately Funded by the Department of Defense

The NFIP budget at present comprises about two-thirds of the total spending for U.S. intelligence. The remainder is funded in one of two separate aggregations within DoD’s budget:

- ◆ The Joint Military Intelligence Program (JMIP), managed by the Deputy Secretary of Defense, is composed of several separate sub-programs each managed by a different DoD official. They respond to defense-wide intelligence needs as opposed to the needs of a particular military service.
- ◆ Tactical Intelligence and Related Activities (TIARA) is an after-the-fact aggregation of funding for tactical military intelligence projects and combat support units which are not centrally managed. Within DoD, each military service and the U.S. Special Operations Command budget for its own tactical intelligence

³ As generally used in this report, “program managers” refers to those individuals who formulate the budget of a particular subcomponent, or program, within the NFIP. For example, the program managers of the four largest NFIP subcomponents are the Director, NRO (for the National Reconnaissance Program); the Director, NSA (for the Consolidated Cryptologic Program); the Executive Director, CIA (for the Central Intelligence Agency Program); and the Director, DIA (for the General Defense Intelligence Program). However, there are other intelligence program managers, such as the Director, Defense Airborne Reconnaissance Office (for the Defense Airborne Reconnaissance Program, a subcomponent of DoD’s Joint Military Intelligence Program).

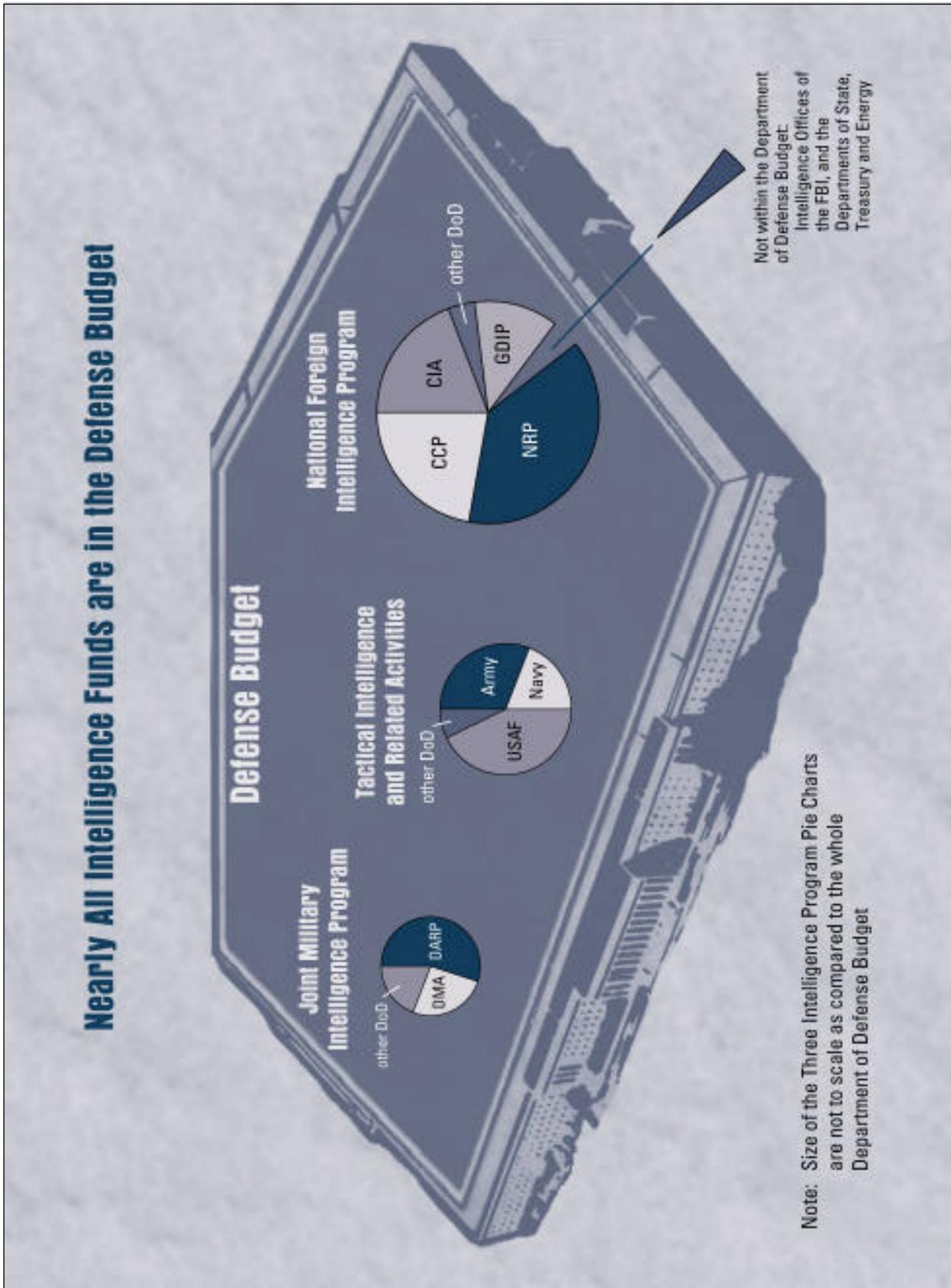


Figure 7:1

capabilities within the context of its annual budget. These decisions are reported to the Office of the Secretary of Defense, which aggregates them for purposes of providing them to the Congress and others within the Executive branch.

In order to assess sensibly what should be spent on national intelligence programs funded in the NFIP, many of which principally support military requirements, the DCI and the NFIP program managers must understand which military intelligence capabilities are being separately funded by DoD in the JMIP and TIARA. Heretofore this was accomplished on a largely *ad hoc* basis, with the Assistant Secretary Defense for Command, Control, Communications and Intelligence (ASD(C³I)) serving as the principal bridge between national, defense-wide, and tactical programs. Recently, however, the DCI and the Secretary of Defense agreed that all intelligence programs that support military operations would be reviewed together. After this joint review, the DCI and the Deputy Secretary of Defense would recommend an overall intelligence program and budget to the Secretary of Defense for his decision. The Secretary would then submit the defense budget, including intelligence funding, to the White House for inclusion as part of the President's budget.

The new joint budget review is clearly desirable to identify waste and duplication and improve overall efficiency among intelligence activities. However, some have urged the Commission to go further and recommend that JMIP and TIARA funds be consolidated with the NFIP. This one intelligence budget would be under the DCI's control to bring more coherence and efficiency to intelligence spending. The Commission does not, however, think that such consolidation is either necessary or desirable. DoD and its subordinate military departments have separate needs, apart from national needs, that they have a right—and indeed, an obligation—to fund. For example, the DCI is not the most appropriate official to decide how many (or which) reconnaissance aircraft are appropriate for Army units in Korea. This is not to say the military departments should act without regard to the overall needs of the nation, but only that they have separate needs which they attempt to satisfy within the funds available to them. The Commission's recommended changes to the budget process, described later, would effectively achieve the same result without unduly interfering with the independent authorities of the Secretary of Defense or those of the military departments.

The Commission also found numerous and significant shortcomings in the way the NFIP is structured and in the way it is prepared. The remainder of this chapter is devoted to these topics.

Program and Budget Structure

Budgeting By “Business Area”

As noted above, the NFIP is composed of separate “programs,” each with its own “program manager” (e.g. the Consolidated Cryptologic Program is managed by the Director, NSA). These component programs are not, however, grouped around a consistent organizing principle. Some fund a type of intelligence activity; others fund a particular agency; and others fund a combination of both. As a result, no single program manager has budgetary responsibility for a given intelligence “business area” or discipline (such as

signals intelligence or imagery). Instead, activities within a particular discipline are funded in several component programs. In simple terms, like activities are not grouped together for purposes of resource allocation or program execution. This structure makes it very difficult to identify wasteful activities, decide where tradeoffs should be made, and determine where cuts should be taken, if required. As the DCI recently observed, the “Intelligence Community has been relatively free from the systematic planning, programming, and budgeting process that is the hallmark of efficient government ... The present system does not permit resource-saving trade-off analysis: for example, the possibility of substituting satellites for aircraft imagery or signals collection. ...”

The existing structure also increases the likelihood that like activities funded in different programs will not interoperate or otherwise complement each other once deployed. The Commission was provided several examples by senior military officials and intelligence officers of redundant systems, funded in different programs, which were either inefficient or not interoperable. The problems with disseminating imagery during Operation Desert Shield/Storm, for example, were attributed to funding numerous imagery dissemination systems in different programs without coordination between them. Further, despite large expenditures on technical collection systems, the Intelligence Community’s inability to process data collected by existing systems is attributable in part to the funding of these activities in different programs.

Given that like activities in each of the intelligence disciplines are also funded by DoD’s JMIP and TIARA aggregations, and that the same situation exists with respect to each of them, the scope and effects of the problem are multiplied.

The Commission concludes that the current program budget structure and diffused responsibilities over basic business areas have resulted in unnecessary duplication, interoperability problems, and other inefficiencies. These problems exist within the NFIP, and among NFIP, JMIP and TIARA activities, creating a substantial obstacle to the efficient use of intelligence resources.

7-1. The Commission recommends that:

- (1) The budget for the National Foreign Intelligence Program be restructured by creating new discipline-oriented programs for SIGINT, IMINT, MASINT and HUMINT, each with a single program manager (see Table 7.1 below). The budgets (but not operational control) for all SIGINT activities in NFIP programs would be transferred to the new SIGINT program; the budgets for all IMINT activities to the new IMINT program, and so forth. In addition to these discipline-oriented program budgets, the DCI should allow for agency-oriented infrastructure programs to fund activities that provide general support to the disciplines (e.g. CIA Headquarters building).**

Table 7-1: Increasing Budget Formulation Responsibility for NFIP Program Managers in each of the Intelligence Disciplines

Intelligence Discipline	Proposed NFIP Program Manager	Percentage of <i>national</i> (NFIP) discipline activity budgeted by each program manager	
		Today	Commission's Plan
Imagery Intelligence	Director, National Imagery and Mapping Agency	3%	100%
Signals Intelligence	Director, NSA	52%	100%
Measurement and Signature Intelligence	Director, DIA	87%	100%
<i>Clandestine</i> Human Intelligence	Deputy DCI for CIA	96%	100%

Notes: Two proposed program managers—the Director, National Imagery and Mapping Agency and the Deputy DCI for CIA—are positions which do not currently exist, but have been endorsed by the Commission.
 The 3% figure, associated with imagery intelligence, refers to funds currently budgeted by the Director, CIO.
 The 96% figure, associated with clandestine human intelligence, refers to funds currently budgeted by the Executive Director, CIA.

(2) The Secretary of Defense vest authority in the national program managers for SIGINT, IMINT, and MASINT, respectively, to perform the initial budgetary review of investments in defense-wide and tactical intelligence capabilities that may be funded outside of the NFIP. The Secretary of Defense would continue to have final approval on these DoD investment projects. The Director, NSA has already been placed in this position by the Secretary of Defense with respect to SIGINT activities. The Commission recommends extending this concept to the two other DoD officials who also would serve as national program managers. Each discipline or business area would then have a single authoritative program and budget manager for its intelligence activities. Responsibility for carrying out the various intelligence activities funded by any of these programs would not change under this proposal whether such responsibility now rests with national intelligence agencies or DoD elements.

The Commission believes that if these steps were taken, program managers would be able to develop cohesive programs involving all assets within a particular discipline, as well as trade off capabilities within a particular discipline (regardless of where the funds are spent). These managers also would be able to better determine investment priorities, eliminate unwarranted duplication, and significantly improve end-to-end interoperability within their discipline.

These changes should also facilitate tradeoffs between disciplines, and between NFIP and Defense programs, substantially helping the DCI and the Secretary of Defense

reach sensible, cost-effective decisions. They will also help OMB and the Congress perform their respective reviews and assessments of intelligence spending.

It was suggested to the Commission that intelligence budgets be constructed not around disciplines but around missions, e.g. support to military operations, support to policymaking, similar to the program “packages” used in the planning, programming, and budgeting process of the Department of Defense. The Commission agrees that examining tradeoffs among the various capabilities within each discipline (SIGINT, IMINT, etc.) in terms of how they satisfy mission categories is an effective way to make *program* decisions.

However, most intelligence capabilities can be used to support a variety of missions and the missions themselves are constantly in flux. It does not appear feasible, therefore, to build an intelligence *budget* according to how the intelligence capabilities being funded may or should be ultimately used. Clearly, those building intelligence budgets must understand the capabilities of the systems and activities being funded in terms of how well they can be expected to satisfy the requirements of a variety of missions. Moreover, once intelligence capabilities have been fielded, they must be managed in such a way as to achieve the missions of intelligence in the most efficient and effective way. (Thus, intelligence capabilities might be evaluated in terms of how they satisfy the requirements of particular missions by arraying them on a matrix, with “missions” as columns and capabilities within “disciplines” as rows.) It is difficult, however, for the Commission to see how intelligence *budgets*, in the first instance, could be constructed according to particular missions.

Funding for Departmental Analysis in the National Foreign Intelligence Program

The NFIP includes three small programs⁴ that fund the analysis of intelligence at the Departments of State, Treasury, and Energy. Each is developed within its parent department and competes against the other funding priorities of that department. After the Secretary of each department approves his or her proposed budget, including funding for intelligence analysis, the request is sent to OMB for review and adjustment in light of Presidential priorities.

Budget estimates for these intelligence elements also are sent to the DCI. But because the programs are small and have competed internally within their own departments, the DCI typically accepts the estimates without change.

The NFIP also includes the General Defense Intelligence Program (GDIP) managed by the Director, DIA. The GDIP funds an array of activities that provide for:

- ◆ military intelligence analysis at DIA, nine Unified Commands, and the military intelligence commands of the Army, Navy, and Air Force;
- ◆ infrastructure for DIA and the military service intelligence commands;

⁴ As a group, these three programs constitute less than one-half of one percent of the NFIP.

- ◆ intelligence openly collected by Defense Attaches and other DoD personnel;
- ◆ intelligence clandestinely collected by DoD personnel; and
- ◆ certain technical collection efforts (e.g. characterizing foreign nuclear testing).

Under the Commission's recommended structure for the NFIP, the GDIP's clandestine human intelligence activities and technical activities would be moved to the new consolidated national programs for clandestine human intelligence and measurement and signature intelligence, respectively. This would leave the GDIP composed essentially of intelligence activities that serve principally departmental purposes.

In light of this, the Commission considered whether the budgets for the small departmental intelligence elements and the reduced GDIP should remain within the NFIP. DCIs have historically played a limited role with respect to these budgets, but their budgetary role has been, and continues to be, a key element of their authority with respect to other elements of the Intelligence Community. *To maintain the DCI's cognizance over these intelligence programs, the Commission concluded that the budgets for the small departmental elements and for the GDIP should remain under the DCI's authority as part of the NFIP.*

Counterintelligence Funding

As discussed in Chapter 2, counterintelligence is a critical part of nearly all intelligence activities. When performed properly, the counterintelligence function is integral to the intelligence activity itself and part of the overall security of the organization. As the Ames case demonstrated, the consequences of poor counterintelligence can be disastrous and deadly.

The FBI has a mission to "protect the U.S. from the intelligence activities of foreign powers and international terrorists through neutralization of activities inimical to our national security interests." By law and Presidential directives, the FBI has been designated as the federal government's lead agency for counterintelligence investigations and operations. Outside the U.S., the FBI coordinates its counterintelligence efforts with the CIA. Within other elements of the Intelligence Community, counterintelligence principally involves providing internal security to the parent organization at a level consistent with the needs of the organization.

Given these factors, the counterintelligence function is not readily amenable to budgetary tradeoffs among the various agency counterintelligence staffs. There is, however, a need for an independent review of counterintelligence budgets to ensure that adequate resources are being allocated to the function consistent with national objectives and priorities. In the past, funding for counterintelligence activities has occasionally been a convenient place for agencies under budget pressures to find money for other activities. This must be assiduously prevented. Funding for counterintelligence activities is now provided by the NFIP subject to the DCI's approval. Separate authority to conduct reviews of counterintelligence budgets is also lodged by Presidential Directive in the National Counterintelligence Policy Board, created in 1994 in the wake of the Ames case. The Board reports

to the Assistant to the President for National Security Affairs and includes senior representatives from the FBI; CIA; the Departments of Defense, Justice, and State; the military services; and the National Security Council staff.

The Commission believes that funding for counterintelligence activities should remain a part of the National Foreign Intelligence Program. At the same time, it is useful to have the National Counterintelligence Policy Board perform a separate review of counterintelligence budgets. Together, they should provide assurance that funding is adequate to achieve national objectives and priorities as well as prevent counterintelligence funds being used for other purposes.

The Budget Process

In addition to the problems found in the existing budget structure, numerous problems appeared to exist with the process used to develop and implement the budget.

Program Guidance and Evaluation

The DCI is charged by law to “provide guidance to elements of the Intelligence Community for the preparation of their annual budgets.”⁵ Usually, this guidance is issued by the DCI’s staff or jointly with the Office of the Secretary of Defense after an overall level of funding has been decided by the Secretary of Defense and the DCI, and takes into account presidentially directed needs and priorities, statements of national security strategy, analyses of intelligence “gaps” and future needs, and other pertinent direction. Often, however, this guidance comes after the program and budget process has begun, and the program managers have already incorporated their own assumptions about intelligence requirements into budget estimates. In the view of the Commission, the current quality and timeliness of program guidance is far from optimal.

Furthermore, according to many who spoke with the Commission, it is rare, if ever, that a program manager will have adequate evaluations from customers of how well the activities funded by his or her program respond to their information needs. Without such evaluations, it is difficult for program managers to identify and give priority to their most effective intelligence capabilities when building programs.

On the whole, the Commission believes that evaluations of intelligence by users should be relied upon to a far greater extent in the budget process. In Chapter 3, the Commission recommends that a “consumers committee” be established as part of a “Committee on Foreign Intelligence” under the National Security Council with ongoing responsibility to identify intelligence requirements and priorities, and to evaluate the Intelligence Community’s response to policymakers’ requirements. Inputs from this Committee, along with the fiscal decisions which he develops with the Secretary of Defense, should help the DCI to issue effective and timely guidance to support program and budget building. These evaluations also should enable program managers to know what intelligence support is, and is not, working well.

⁵ Public Law 102-496, Sec. 705.

Strengthen Community-Wide Analysis of Intelligence Budget Items

Historically, the program and budget submitted by each NFIP program manager has been changed little, if at all, by the DCI's staff. There are several reasons for this, including the lack of a sufficiently capable analytical staff permanently assigned to the DCI, the DCI's focus on other important responsibilities, and prior agreements between the DCI and DoD which excluded certain staff offices of the Secretary of Defense (e.g. Comptroller and Program Analysis and Evaluation) from reviewing NFIP programs, as they do for Defense programs. In the view of the Commission, these bureaucratic arrangements must be changed if economy and efficiency are to be achieved. While the new DCI has taken initial steps in this regard, they have not yet been implemented fully.

7-2. The Commission recommends that the DCI establish a permanent cadre of analysts reporting to the Deputy DCI for the Intelligence Community to analyze and evaluate intelligence programs, identify inefficiencies within those programs, and assess trade-offs among programs. These analysts should include some with experience in the intelligence agencies and some with experience principally outside of intelligence. Further, current plans to include the DoD Comptroller, the Secretary of Defense's Program Analysis and Evaluation staff, and OMB staff in the review of national intelligence programs should be carried out.

Information on intelligence programs has not been organized to facilitate decision-making by the DCI or to provide outside reviewers, such as OMB, with an informed view. Although the DCI and DoD each maintain classified databases that track intelligence resources, they do not allow decisionmakers to have their questions readily answered at a meaningful level of accurate detail. Furthermore, 60 percent of NFIP funds are obscured by lumping them into a category called "base" which is minimally described, even in budget books sent to the Congress. It is these types of vague accounting and budgeting practices that permitted the accumulation of large NRO reserves, reported recently in the media, to go undetected.

The Commission understands that commercially-available computer technology would permit existing agency data files to be aggregated and analyzed without re-keying or manually re-formatting the data, allowing for the creation of a consolidated Community-wide data base that encompasses national, defense-wide, and tactical resources. However, despite the power of available technology, implementing this management information system may require one to two years to achieve the desired results.

Ideally, the building blocks of such a database would be individual "projects" or "activities" that accomplish a single purpose, rather than large amounts attributed to "base" that do not inform decisionmaking. Such a change would be in line with the private sector trend toward "activity accounting" to improve decision-making.

In the Commission's view, a Community-wide database of national, defense-wide, and tactical intelligence resources is feasible and highly desirable. Such a tool would allow the Secretary of Defense, the DCI, program managers, and other stakeholders to identify program issues, analyze all related resources, and improve the chances for implementing the most cost-effective intelligence program. An improved budget process, as recommended above, should allow the DCI and Secretary of Defense to identify excesses

or shortfalls within each intelligence discipline and facilitate tradeoffs among the intelligence disciplines to optimize the government's intelligence posture. For example, the DCI and Secretary would be able to track funding for new technological innovations regardless of program and funding source. Better and more accessible resource data would allow program managers to design and fund a more efficient end-to-end system for each intelligence discipline and facilitate a matrix approach to budget analysis that would allow program managers to evaluate how particular intelligence capabilities were contributing to the missions of intelligence.

7-3. The Commission recommends that the DCI, in consultation with the Secretary of Defense, develop and implement a database to provide timely and accurate information on the purposes, amounts, and status of resources for national, defense-wide, and tactical intelligence activities. To minimize time and expense, this database should build upon existing data files from the agencies involved and be available for use by all appropriately cleared resource management officials and decisionmakers. A goal should be established to have such a database in place prior to developing the budget for fiscal year 2000.

Monitoring Expenditures

In the normal course of the budget process, once Congress authorizes and appropriates funds, OMB apportions the funds to DoD for all programs included in the DoD budget. The DoD Comptroller then transfers to the military services, defense agencies, and the CIA the authority to spend money in accordance with the congressional direction. In turn, the agencies build their financial plans and display in detail the manner in which they intend to spend money. Deviations from these plans that exceed stated thresholds are subject to "reprogramming" actions, usually requiring the approval of Congressional committees, the DCI, the Office of the Secretary of Defense and OMB. The DCI, program managers, and other review authorities must remain apprised of the status of expenditures in order to ensure that programs are being implemented according to the intent of the original requests and Congressional mandates. Currently the DCI must be notified by agencies of reprogramming actions that exceed Congressional thresholds. *The Commission found that the DCI and his staff, some program managers, and other review authorities such as OMB, are not always given sufficiently detailed information to stay abreast of how agencies are spending money. Knowledge of current spending in any one area is critical to formulate and review requests for new spending in that area.*

7-4. The Commission recommends that all intelligence agencies provide the DCI, program managers, and other review authorities with budget execution (spending) reports in sufficient detail to follow budget implementation and analyze reprogramming requests. The budget spending reports should be periodic, timely, and at a meaningful level of detail (e.g. by major project).

The Impact of the Commission's Recommendations

The Commission believes that if the recommendations proposed in this chapter are adopted, they would provide a far more effective framework for the allocation of

Chapter 7

intelligence resources. They would facilitate the identification of wasteful activities, promote interoperability among systems and programs, and provide a better basis for streamlining and consolidation. The public would have greater assurance that the Intelligence Community of the future was operating effectively and efficiently. The budget structure and process which exist today do not provide such assurance.

The Commission's recommendations on the budget process, particularly building a Community-wide resource data base, would require an initial (though not large) outlay of funds, but should pay for themselves many times over in terms of the efficiency brought to the budget process.

Improving Intelligence Analysis

THE *raison d'être* of the Intelligence Community is to provide accurate and meaningful information and insights to consumers in a form they can use at the time they need them. If intelligence fails to do that, it fails altogether. The expense and effort invested in collecting and processing the information have gone for naught.

Assessing how well the Intelligence Community accomplishes this fundamental task is a complicated matter. A great deal of analysis is published; much of it is timely and of excellent quality. The Intelligence Community has many analysts who are recognized experts in their respective fields and whose professional judgments are valued and relied upon. Clearly, intelligence analysis has substantial value to many consumers.

The Commission found especially close ties between the producers and users of military intelligence. Within the military there is a long history of respect for, and reliance upon, intelligence. Intelligence is factored into strategic and tactical planning, is exercised in war gaming, and is integral to operations. As a result, military requirements are better defined, in large part, because of the close and continuing dialogue between intelligence analysts and the military commands they support.

Where policy agencies are concerned, however, consumers more often take a jaundiced view of the analytical support they receive. The President and senior cabinet officials appear to be relatively well served, but many decisionmakers at lower levels find that intelligence analysis comes up short. Often what they receive fails to meet their needs by being too late or too unfocused, or by adding little to what they already know.

In fact, only a small percentage of the resources allocated to intelligence goes to “all-source” analysis. Relatively few resources are devoted to developing and maintaining expertise among the analytical pool. Intelligence lags behind in terms of assimilating open source information into the analytical process, and it continues to struggle with how to avail itself of expertise in the private sector. Analysis that is not responsive to consumer needs continues to be produced.

The Intelligence Community is not entirely to blame. Consumers have a responsibility not only to engage in the process but, more important, to drive it. Often, they are uncooperative or too busy to engage at all. Since most are political appointees, many enter and leave government never appreciating what intelligence might have done for them. Clearly, consumers need to be better educated about the value of intelligence.

The Commission did find numerous instances where there was a close working relationship with policymakers. Intelligence producers were able to focus on issues of significance and to make information available when needed. Analysts understood the consumer’s level of knowledge and the issues he or she wanted help on. Their analysis was read and relied upon. The consumer, for his part, developed an understanding of what intelligence could do for him and—equally important—what intelligence could not do. Many considered the support vital to meeting their responsibilities and actively engaged in

a dialogue with analysts to refine the support they received. But these instances appear to be the exception rather than the rule.

For the Commission, the lesson from all this is clear: there must be a concerted effort to make intelligence analysis more useful to the policymakers it serves. Just as elements of the private sector have re-engineered themselves to improve the quality of their products and their responsiveness to customers, so, too, must intelligence agencies. In the sections that follow, the Commission explains how we believe this might be accomplished.

Building Relationships

Policymakers receive their support from a variety of sources. CIA's Directorate of Intelligence (DI) as well as the National Intelligence Officers who comprise the National Intelligence Council are responsible for providing all-source intelligence analysis to the Government as a whole, with the President, the National Security Advisor, and the Secretaries of Defense and State being the foremost customers to be served. The CIA continues to be viewed by most policymakers as the preeminent all-source analytical element within the Government for providing independent judgments free of policy or departmental bias.

Departments and agencies that have substantial requirements for intelligence also have internal elements that provide tailored all-source analysis to the agency head and his or her staff, using what is provided by CIA and other sources available to the agency. In the Department of Defense, this function is performed by the Defense Intelligence Agency; in the Department of State, by the Bureau of Intelligence and Research; and in the Departments of Energy, Commerce, and Treasury, by small dedicated components. These departmental organizations also participate in the production of National Intelligence Estimates (discussed later in this chapter) and other analyses produced under Community auspices. (See Chapter 10 for a description of the agencies that provide analytical support to military users.)

In addition, consumers receive "single-source" reports based on data obtained by NSA, CIA, DoD and diplomatic reporting from the Department of State. Such reports are valued by consumers, although they may not provide the context of all-source analysis.

Intelligence producers interact with their customers in various ways. At one end of the spectrum, intelligence analysts may be assigned to the staffs of certain consumers and integrated into their work force, taking part in the substantive work of the office, participating in foreign travel, discussions with foreign representatives, etc. This type of support was universally acclaimed by the consumers who had it, but because the assigned analyst is then unavailable to meet the demands of other consumers, such in-house support is at present limited to a small number of senior officials.

Some consumers are supported by detailing intelligence analysts to help with a particular issue or process, for example, to support a treaty negotiation. In other cases, intelligence producers station "liaisons" with their customers, not to provide substantive support, but to serve as a focal point for requests for such support. The CIA, which has a government-wide responsibility, now has over 100 officers in policy agencies or military commands, either providing direct support or in a liaison capacity. DIA and NSA similarly

have specialists providing direct support to consumers or in a liaison capacity. In addition to providing benefits to the customer, assignments to policy agencies also benefit the analysts involved by improving their understanding of the policymaking process and customer needs.

Other consumers receive regular briefings, or are briefed when there are developments in their area of interest. Others may simply be introduced to the analysts who cover their subject area and invited to call them as needed. Many other consumers, particularly those down the bureaucratic chain, may receive no special analytical support beyond what is available in the daily publications and intelligence reports. Obviously, the more intensive the support, the more strained the personnel resources of intelligence agencies are to provide it.

The Commission found that those consumers who have intelligence aides on their staffs, or who receive daily intelligence briefings, tend to express greater satisfaction with the quality of the intelligence. In our view, such arrangements, while costly in terms of manpower, should be encouraged. Nevertheless, no single relationship will “fit all.” It is up to intelligence producers, working directly with particular consumers in policy agencies, to determine the preferred kind of analytical support and to make every effort to provide it.

A more systematic approach to building these relationships is also needed. At present the support arrangements for officials below cabinet-level appear largely *ad hoc* rather than the result of a deliberate strategy. Further, where particular consumers (for example, an assistant secretary at the Department of State) receive analytical support both from an internal organization (in this case, the Bureau of Intelligence and Research) and from the CIA, it is sometimes unclear where the division of responsibility lies between the two organizations, and opportunities to contribute are missed.

8-1. The Commission recommends that each intelligence producer develop a strategic plan for better serving consumers. Relevant customers should be identified by position and consulted with respect to the type of intelligence support they prefer. Senior-level consumers should be strongly encouraged to have intelligence aides assigned to their staffs or to have daily intelligence briefings. As new incumbents are appointed to these senior positions, additional consultations should be arranged to ascertain whether the existing relationship should be changed. Once the customer has indicated a preference, the producer should make every reasonable effort to provide the support requested. Where the consumer receives support from the CIA and also from a departmental organization, representatives of both should participate in these consultations in order to establish clear areas of responsibility.

Many observers have cautioned that in promoting closer relationships with consumers, the chances are increased that intelligence analysis will lose its objectivity. As analysts became aware of their customers’ assumptions and policy preferences, they would, consciously or not, produce analysis that conformed to those preferences.

The Commission believes this problem is real, but manageable. The need to present the “unvarnished truth” to policymakers is at the core of every analyst’s training and ethos. It is, in a real sense, why intelligence exists. Further, there are checks and balances

within the system. Virtually all analysis is reviewed by multiple experts, not all of whom are familiar with the biases of a particular consumer. Some analyses, such as national estimates, are reviewed by interagency boards.

The role of intelligence analysts is to inform the policy process. One witness before the Commission expressed the view that “if an intelligence analyst is not in some danger of being politicized, he is probably not doing his job.” The Commission agrees. The greater danger lies not in becoming “politicized” but in becoming irrelevant to the process of government.

Improving the Quality of the Product

However desirable it may be to build relationships between producers and consumers, such relationships cannot be sustained unless the intelligence side is able to demonstrate over time that it brings something of value to the table.

The Commission attempted to assess, as a general proposition, what intelligence, in fact, does bring to the table. Put another way, what value, if any, is added by intelligence over information available from open sources or the media? The Commission reviewed prior studies of this issue and conducted its own analysis of two separate international incidents, comparing the information reported by the news media with the information reported by the Intelligence Community. The conclusion reached in each case was that both sources of information had their strengths. The media were faster and did a better job conveying information on an immediate event. But the media lacked staying power, missed essential details, and often did not report what was of interest to policymakers or report in a way that was comprehensible to policymakers. In some cases, the intelligence analysis provided critical information that was not reported by the news media at all. The verdict arising from this sampling was that while the media contributed importantly, there was clear value added by intelligence analysis.

Whatever its past contributions, the quality of intelligence analysis can always be improved. The Intelligence Community has, in fact, made substantial progress in this regard over the last four years. But the Commission believes more could be done.

Promoting Greater Expertise Among Intelligence Analysts

An intelligence analyst sent to brief a senior policymaker on “country x” faces a daunting situation. The policymaker often is someone who has lived in, or frequently travels to “country x,” has daily contacts with his or her counterparts there and with substantive experts in the United States, and reads the current literature on “country x.” The intelligence analyst, on the other hand, may have neither lived in, nor even traveled to, “country x,” and his or her contacts with experts in the U.S. and within “country x” itself may be limited. Yet he or she is expected to provide fresh insight to the policymaker.

While there are senior analysts in the Intelligence Community who are nationally known experts in their respective fields, they are the exception rather than the rule. Recognizing this, most analytical elements within the Intelligence Community have programs

designed to give their analysts the skills and knowledge base they need to perform credibly. These programs are promising and deserve support, but their scope remains limited. Exacerbating the problem has been an unfortunate decline in the number of government and foundation programs that once served as training grounds for area, functional, and language specialists in the intelligence area.

8-2. The Commission recommends several actions to improve the quality of analysis:

- ◆ **More intelligence analysts should be given the opportunity to serve in, and travel to, the country or countries they are expected to cover. An extended visit to the country or countries involved should be a minimal pre-requisite for any intelligence officer prior to undertaking analytical duties.**
- ◆ **Educational opportunities should be expanded. Analysts should be encouraged to take university or graduate courses here and abroad within their areas of expertise and to establish contacts with experts in the private sector. They should be rewarded for learning and maintaining proficiency in relevant foreign languages. Participation in pertinent conferences and seminars, both in this country and abroad, should become a routine part of their duties.**
- ◆ **Analysts should be encouraged to remain within their substantive areas of expertise rather than having to rotate to other areas or serve in management positions in order to be promoted. Substantive expertise should be rewarded.**
- ◆ **Analysts should be encouraged to serve rotational assignments in the policy agencies they principally serve.**

The Commission recognizes that similar recommendations have been made in the past but have not been followed up with a sufficient commitment of resources. Considering the importance of this aspect of the intelligence function, however, they must receive a high priority for funding. Personnel shortages and budgetary constraints should not be used to justify a lower level of effort in these areas.

Making Greater Use of Expertise Outside the Intelligence Community

Analysis on topics of significant national interest should be informed by the best expertise this country has to offer, whether that expertise resides within the Intelligence Community or outside it. Intelligence agencies should more often take the initiative to sponsor open conferences on international topics, make direct and regular use of outside consultants, establish regular “peer review” by outside experts for major assessments and estimates, and contract out research on unclassified aspects of analytical problems or the maintenance of reference data bases. Analysts should systematically be able to consult outside experts on particular issues without undue bureaucratic hindrance.

The failure to make greater use of outside expertise at the CIA appears to result in part from a lack of financial resources and in part from onerous security requirements—particularly the polygraph examination and the requirement to submit subsequent publications for review—that discourage some outside experts from participating in intelligence work. The Commission believes that less intrusive measures should be instituted in order for outside experts who will have limited access to intelligence information to obtain a security clearance.

Making Better Use of Open Sources

While the use of secret information distinguishes finished intelligence from other analysis, no analyst can base his or her conclusions solely on secret information without considering what is on the public record. Indeed, analysts must have command of all relevant information about their subjects, not simply command of secret information.

As the volume and availability of information from “open sources” has multiplied as a result of the revolution in information technology, ascertaining what relevant information may be on the public record has become more difficult. In CIA alone, the amount of open source information has grown by a factor of ten over the past four years.

To cope with this situation, the DCI established a Community Open Source Program Office in 1992 to coordinate the collection, processing, and dissemination of openly available information to CIA and other elements of the Intelligence Community. Two new computer networks have been established: one provides CIA analysts on-line access to over 1200 open source publications; the other provides consumers access not only to the CIA open source data base but also to other unclassified and classified data bases maintained within the Intelligence Community.

While the development of open source data bases is growing, intelligence analysts have only limited access to them. Given the amount of open source information that is readily available to the public over computer networks, the effort of the Intelligence Community to structure and make available to analysts pertinent open source data bases seems inexplicably slow.

During the course of its inquiry, the Commission conducted an impromptu test to see how readily information could be obtained exclusively from open sources on a subject of current national security interest and how that information compared to what could be obtained from the Intelligence Community. The information obtained from open sources was substantial and on some points more detailed than that provided by the Intelligence Community. On the other hand, the information that came from open sources took longer to produce, required validation, and failed to cover many key aspects of the situation important to policymakers.

In any event, it is clear that open sources do provide a substantial share of the information used in intelligence analysis. In some areas, such as economic analysis, it is estimated that as much as 95 percent of the information utilized now comes from open sources. With more and more information becoming available by electronic means, its use in intelligence analysis can only grow. Indeed, knowing what is publicly available enables

producers and collectors of intelligence to better focus their efforts on that which is not. So crucial is this determination to the overall intelligence process that the Commission finds it surprising that more emphasis has not been given this aspect of the Intelligence Community's operations. An adequate computer infrastructure to tie intelligence analysts into open source information does not appear to exist. In the view of the Commission, the creation of such an infrastructure should be a top priority of the DCI and a top priority for funding.

Making Analysis Available to Consumers

Until recently, intelligence was made available daily to consumers in the form of large stacks of intelligence reports and daily printed summaries of reports and analyses on specific issues. Typically, staff would sort through this material and select or summarize what the consumer should read. Once read, the materials would be returned or destroyed. If a consumer had a question about something he or she read, or wanted to be reminded of something in a previous report, he or she could attempt to reach the analyst who had prepared the report.

This situation has begun to change. The military, in particular, has made significant strides in applying new information technology to facilitate the dissemination and use of intelligence. Through the Joint Deployable Intelligence Support System (JDISS), military commands around the world have access not only to open source information and current intelligence reporting over their computer terminals, but are able to search electronically the archives of intelligence agencies for pertinent data. Sorting is done by keyword selection rather than the tedious process of going manually through stacks of messages and printed publications. A user with a question can query the analyst who prepared the report electronically. The user also has an ability to evaluate instantly what is being provided and request additional data as needed. In addition, intelligence briefings are now provided daily through secure videoconferencing, and fast-breaking intelligence is relayed instantaneously over secure communications to affected consumers.

A similar capability known as INTELINK has been developed by the Intelligence Community and is being installed in policy agencies and with military users. While commercial technology has been available for some time to allow the electronic storage, dissemination, and manipulation of intelligence, agencies have faced a considerable problem in doing this securely. Not only do they have to worry about "hackers" gaining access to the system, but also about controlling access. Not all users are necessarily cleared for all levels of intelligence. While these problems are gradually being overcome, they have slowed progress on the civilian side beyond what one might expect, given the rapid development and availability of commercial information systems. When INTELINK is fully deployed to users, some policymakers will in all likelihood continue to rely upon their staffs to utilize the system on their behalf. Nonetheless, their ability to obtain specific intelligence on demand should be greatly improved.

The Commission believes it essential that the development and deployment of INTELINK be completed as soon as possible. The project should be given the highest funding priority within the Intelligence Community.

Improving the National Estimates Process

National Intelligence Estimates (NIEs) treat issues of major importance and long-term interest to the United States and are considered by the Intelligence Community to be its most comprehensive and authoritative products. NIEs are produced by the National Intelligence Council (NIC), an organization composed of twelve senior officers called National Intelligence Officers (NIOs), who report directly to the DCI. Each NIE undergoes thorough review and coordination by representatives of the various intelligence agencies and is ultimately approved by a board chaired by the DCI and composed of the heads of these agencies.

NIEs are intended to help policymakers and warfighters think through key issues by presenting forward-leaning judgments about the likely course of events in foreign countries and their implications for the United States. The Commission, however, found consumer reaction to NIEs mixed at best. Some senior policymakers professed to be unaware of them altogether. Some dismissed them as neither timely nor relevant. Others criticized them for notable predictive failures or for watering down the analysis through an inter-agency coordination process that led to “lowest common denominator” results. NIEs did receive the plaudits of a few policymakers, but, on balance, the reaction was negative.

Regardless of how NIEs are appreciated by senior policymakers, they do appear to serve several useful purposes. They are authoritative statements of the views of the Intelligence Community about important topics. The development of NIEs forces analysts to consider and test all the evidence brought to bear upon the issue. Without such a process, the assessment of important issues probably would not be as rigorous or comprehensive. It also appears that while senior policymakers may not read them, their staffs do, incorporating information and judgments from NIEs into what is being provided to more senior levels.

To improve the usefulness of NIEs, the Commission believes policymakers should be involved more directly and systematically in the estimates process. NIEs should only be prepared at the request of a senior policymaker or where there is senior policymaker interest. These policymakers should be consulted routinely on the terms of reference and timing of estimates affecting their areas of responsibility. Moreover, analysts developing national estimates should routinely solicit the views of pertinent policy officials, to include U.S. Ambassadors, on the subjects concerned, without distorting their analyses to reflect policy preferences.

Establishing a More Broadly Focused Analytical Entity

During the Cold War, the focus of intelligence analysis was on the Soviet Union and other Communist states. Most of the information relating to these countries was secret and could best be obtained, analyzed, and reported by the Intelligence Community. When it came to assessing the significance of the information, it made sense to do that within the Intelligence Community as well.

Today, while there remain subjects that can be addressed adequately only by intelligence means, such as terrorism or weapons proliferation, much of the information on the vast majority of issues of concern to policymakers is openly available. Most of the expert knowledge on these subjects lies outside the Intelligence Community: in the policy agencies, in academia, in “think tanks,” in the Library of Congress, in foreign countries, and in the media. While the Intelligence Community may still have an important contribution to make in these areas by providing the “secret piece,” the Community will rarely provide the “recognized expert” in the field.

In recognition of these realities, the Commission believes that the NIC should be restructured to become a more open and broadly focused analytic entity. Important as it is to improve the expertise of intelligence analysts, the Commission is persuaded that, with the end of the Cold War, the Government must take better advantage both of openly available information and of the wide range of expertise in the academic and business communities. The wisdom that exists outside the Intelligence Community must be incorporated into the assessment of today’s foreign policy issues. An open environment needs to be created where knowledgeable experts on issues of concern to policymakers can be brought together from policy departments, “think tanks,” and academia, as well as from the Intelligence Community, to analyze, debate, and assess these new world issues. Although the NIC has increasingly drawn on outside experts in recent years, the Commission believes a more radical approach is required.

8-3. The Commission recommends that the National Intelligence Council be restructured as a “National Assessments Center.” The new entity should continue to produce NIEs requested by policymakers that draw largely or partially on information collected by intelligence agencies. Equally or more important, it should also prepare classified and unclassified “assessments” of issues of concern to policymakers where the intelligence contribution is relatively small. These assessments should include analyses of long-term problems policymakers are unable to address effectively because of their demanding schedules and need to focus on current events. The Commission anticipates that assessments would increasingly be directed by experts—in or out of government—who would manage integrated teams of substantive specialists on rotational assignment from policy departments, academia, think-tanks, and the Intelligence Community. The Center should remain under the purview of the DCI but should be moved out of CIA headquarters to a suitable location in downtown Washington to make it more acceptable and accessible to policymakers and outside experts.

The Need to “Right-Size” and Rebuild the Community

DESPITE the revolutionary technical developments of recent years, people remain the Intelligence Community’s most vital resource. Recruiting and retaining qualified employees is crucial to the accomplishment of its mission. The Commission found, however, that personnel problems now create a serious stumbling block to effective performance, and, to some degree, threaten the future health of the Community.

The Commission found two pervasive problems. First, intelligence agencies find themselves with employee workforces that are not fully suited to their needs, and they are without the necessary tools to correct the situation. Second, the separate personnel systems within the agencies hinder, rather than promote, their operation as part of a “Community.”¹

In this chapter, the Commission examines each of these problems separately and offers recommendations on how to deal with them. Neither problem can be appreciated, however, without first understanding the context in which they have arisen.

Background

Each of the largest intelligence agencies (CIA, NSA, and DIA) is authorized by law to administer its own separate civilian personnel system outside Civil Service rules. These authorities date to the creation of each agency, or were legislated shortly after their creation. (See Figure 9-1.) In addition, the Secretary of Defense is authorized by law to administer a separate personnel system (known as the Civilian Intelligence Personnel Management System or CIPMS) for the civilian employees of DoD intelligence components (e.g. the Army, Navy, Air Force, and Marine Corps).

The justification for maintaining these separate systems is that the intelligence mission requires special latitude when it comes to personnel matters. While as a practical matter intelligence agencies have adopted many Civil Service rules as their own,² they have staunchly maintained the need to manage their own personnel systems to satisfy their unique needs and to compete effectively with other intelligence agencies for qualified employees. In terms of hiring, none adheres to the Civil Service competitive procedures; rather, they have devised their own.

¹ For purposes of this chapter, the Commission examined only the civilian personnel systems that encompass the four largest organizations, explained later in the text. Although about 40 percent of the workforce is composed of military servicemen and women who are paid from the budgets of the agencies they are assigned to, military personnel remain within the personnel systems of their parent service. The Commission did not undertake an analysis of those personnel systems.

² All four systems generally adhere to the Civil Service rules for pay and bound their pay scales in accordance with the highest and lowest levels of the Civil Service General and Executive Schedule pay scales.

Personnel Authorities	CIA	NSA	DIA	CIPMS	Civil Service	Private Sector
Hiring						
	Not Bound by Civil Service Competitive Rules; All have Devised Own Vetting Systems				Bound by Title V U.S. Code system of competitive exam and placement	Contractual agreement between the individual parties
Pay						
	All Exempted from Civil Service Rules; In Practice All Adhere to Civil Service GS/GM and Executive Pay Scales				Bound by Title V U.S. Code structure of GS/GM and executive pay scales	Contractual agreement between the individual parties bound only by minimum wage laws
Termination of Employment	Absolute authority to terminate in the interests of national security. § 104 (g) National Security Act - Discretionary - Generally unreviewable and final	Termination consistent with national security concerns when can't be done under regular Civil Service rules: - 50 USC § 833 - Civil Service determination must be made first - Statutorily unreviewable and final - Authority is delegated from Secretary of Defense	Same as DIRNSA - 10 USC § 1604 (e) (1)	Same as DIRNSA - 10 USC § 1590	Cumbersome and time-consuming Title V process that provides employees with multiple opportunities for appeal	Employees-at-will - fired instantly (unless contract specifies otherwise) - only recourse is through court system
Buyouts	Must Seek Special Authorization and Appropriation Legislation from Congress with Approval by the Executive					Can implement when deemed in managerial interest to do so
	[..... \$25,000 Buyout Authority Exists Until 1999]					
RIFs	No Special Authorities, All Must Adhere to 5 USC § 3502 Which Provides for Preferential Status to Veterans, Length of Service with Government and with Organization, and Performance Appraisal Rankings					Can do merit or strategic based RIFs
	[..... No Authority to do Merit-Based RIFs]					
Soft Landings for Troubled Employees	Broad authority to grant special payments and assistance § 8 CIA Act "Not withstanding any other provision of law"	Secretary of Defense Authority to Assist "Troubled Employees" Assimilate Outside of NSA, DIA, or CIPMS for up to 5 Years After Termination of Agency Employment			No authority	Can devise any type of package managerially deemed necessary

Figure 9:1

Other intelligence elements of the Government (e.g., the analytical elements at State, Commerce, and Energy) are too small to warrant separate personnel authority and are part of the personnel system of their parent departments.

The four personnel systems covering civilian CIA, DIA, NSA, and CIPMS employees evolved independent of one another with separate criteria for hiring, separate systems for appraising performance, separate programs for training and career development, separate promotion systems, and separate procedures for terminating employees. While each of the agencies (or in the case of Defense agencies, their parent department) possesses special authority to terminate employees without resort to the procedurally cumbersome rules that apply to the Civil Service generally, the agencies have used this authority infrequently.³

The agencies have, in fact, adopted internal procedures similar to the Civil Service procedures that accord due process rights to an employee, and make terminating employment very burdensome and time-consuming. As a result, managers have relatively little practical recourse in dealing with poor performers. The fear that suddenly terminated employees might become security risks also has been cited as an argument against the use of the special termination authorities. Additionally, the requirement that the termination have a “national security” rationale has acted as a barrier to use of the authority, for fear that employees will challenge these terminations in the courts or in Congress.

Therefore, terminations for cause are relatively rare. Once an employee successfully negotiates the stringent security processing on entry, he or she becomes part of what many come to regard as a “family,” which provides job security and the promise of a lifetime career. Once inside, there is little incentive to move outside, even temporarily. Indeed, to do so only jeopardizes one’s chances for advancement. While such dynamics are not uncommon elsewhere in the Government, they are especially in evidence among the employees of intelligence agencies whose experiences create a special bond that cannot normally be shared with the outside world.

Restructuring the Workforce

The decade of the 1980s saw the budgets of intelligence agencies rise significantly and the number of new hires increase dramatically. For example, the total civilian workforce at NSA, CIA, and DIA collectively increased by nearly 50 percent from 1980-1989.

By the end of the decade, the number of new hires had dropped off significantly as intelligence agencies began to retrench at the end of the Cold War. In 1992, the Congress, with the agreement of the Bush Administration, imposed an across-the-board cut of 17.5 percent in civilian intelligence personnel to be accomplished by the beginning of fiscal year 1997. This was less than a three percent reduction per year and was believed to be

³ A slight difference in termination authority exists between the DCI’s absolute authority to terminate CIA employees in the interest of national security and that of the Secretary of Defense, who is required to look first at Civil Service termination procedures prior to invoking the special authorities. However, both special authorities require a national security rationale for the termination; this has added to the reluctance of the DCI and Secretary of Defense to use them.

feasible through normal attrition, without resort to involuntary reductions-in-force. In some agencies, the drawdown in military personnel, which was taking place separately from the civilian reductions, was taking an even heavier toll.

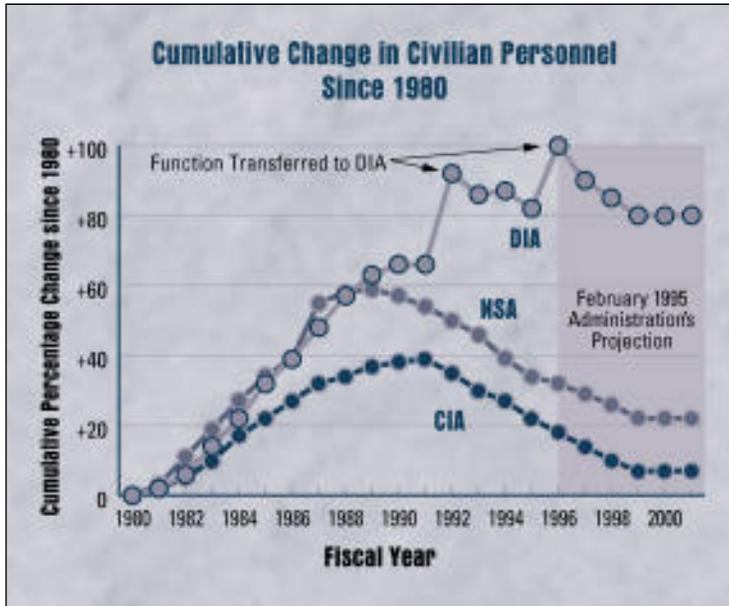


Figure 9:2

All intelligence agencies focused on meeting their congressionally mandated reduction targets. Most found it necessary to offer special incentives (principally, monetary “buyouts”) to employees eligible for retirement in order to meet these goals. In 1993, Congress provided temporary authority for the Department of Defense and the CIA to offer such incentives, and, to date, the reduction targets have been met. Earlier this year, the Intelligence Community, on its own initiative, extended the three percent per year reduction in personnel beyond 1997 to the year 2001 (See inset).

Despite these reductions, the Commission found the personnel problem far from solved. While intelligence agencies have reduced the number of civilians they employ, the cost of the remaining workforce is higher, due to inflation increases, promotions, and the higher cost of benefits. For example, from 1990 to 1996, NSA, CIA, and DIA collectively *reduced* their civilian personnel by 12 per cent. However, during the same period, the cost in current dollars of the civilian payroll at these agencies *increased* by 26 per cent. At NSA, the problem is acute. NSA’s civilian payroll increased from about 30 per cent of the agency’s total budget in 1990 to nearly 40 per cent in 1996. These growing amounts allocated to meet the payroll have crowded out investments in new technologies and limited operational flexibility.

With the focus on meeting reduction targets, the hiring of new personnel has slowed to a trickle in most agencies. In fiscal year 1995, the Intelligence Community as a whole brought on new personnel at a rate of less than one percent of its workforce. Some agencies, whose workforces number in the tens of thousands, were hiring less than a hundred new employees a year. This is simply insufficient to maintain the health and continuity of the workforce. If this pattern continues, agencies will face a future where large segments of their workforces leave at roughly the same time without a sufficient cadre of skilled personnel to carry on the work.

The Commission also found no evidence that the mandated reductions were being accomplished in a manner calculated to achieve a balanced skill mix or to weed out poor performers. Neither the Community as a whole nor individual agencies seem to have a strategic plan to govern personnel reductions that extends beyond how to get to their congressionally mandated numbers without having to “RIF” anyone, i.e. terminate employment based upon existing reduction-in-force authority (explained further below).

Consequently, even the success that intelligence agencies have had in downsizing to their congressionally mandated levels is marred by the fact that they are left overstaffed in some areas and understaffed in others. Moreover, relatively little has been done to deal with poor performers.

In this regard, the Commission was repeatedly told by managers and employees that the personnel evaluation system in their agency was “broken,” that the existing system did not provide a basis for identifying poor performers or for readily removing them from employment. At the National Security Agency, for example, because the previous performance appraisal system was thought to be consuming an inordinate amount of supervisory time, a system was instituted that rated employees as satisfactory or unsatisfactory with no rating in between. But, even in agencies where the evaluation system provided for more detailed supervisors’ assessments, it appeared that the evaluation system was rarely being used to terminate poor performers.

Creating racial, ethnic, and gender diversity within the workforce has also been a difficult task for intelligence agencies. Achieving such diversity is not only an imperative to satisfy American values, but is a way of dealing with the altered—more diversified—threat profile that the Intelligence Community faces since the end of the Cold War. According to recent reports and interviews with agency officials, progress is being made in terms of hiring practices but has been slowed by the limited number of new employees presently being hired. While the Commission is encouraged by this progress, overcoming the present lack of diversity is far from accomplished.

What Needs to be Done

Intelligence agencies need to lower their civilian personnel costs considerably in order to allow room for new investments and operational initiatives. At the same time, they need to restructure their workforces to ensure the continued health and competence of the institution. This will require a reduction in numbers and a change in the skill mix. Unless both are done soon, the Commission believes that the ability of some agencies to carry out their missions could be seriously jeopardized.

Part of the solution to this dilemma lies within the existing authority of intelligence agencies. Clearly, intelligence agencies must develop strategic plans to serve as the basis for further personnel reductions. Even if early retirement incentives remain the chief means of achieving such reductions, they should be structured in a way that provides the skill mix and levels needed for the future.

Intelligence agencies also should create and enforce effective performance appraisal systems that identify poor performers and provide a basis for removing them from employment. While removing poor performers is a task few supervisors relish, agency heads must impress upon them the seriousness of the need to fulfill this role. Agencies also should ensure that managers at all levels actively seek to diversify the workforce. Additionally, agencies need to look increasingly at new strategies for satisfying their personnel needs. One such strategy could be to hire individuals for limited periods or under personal service contracts that do not carry additional benefits. The attitude that intelligence agencies hire employees for lifetime careers may no longer be sustainable.

Finally, at the risk of stating the obvious, managers must manage better. The Commission found two pervasive problems in the Community's managerial structure. First, people are in managerial positions who do not belong there. Either they have not received the proper management training or they are incapable of performing management duties. In almost all agencies, insufficient attention is paid to selecting, training, and developing managers. Second, there are few incentives for managers to make tough decisions. On the contrary, managers who decide to take action against employees who are poor performers are confronted with a disagreeable, time-consuming process that discourages them from taking action.

While addressing all of these problems is essential, the Commission believes that lowering civilian personnel costs and restructuring the workforce to restore the health of the Community is of paramount concern. This ultimately cannot be achieved without considerably reducing the size of the existing workforce and, to some degree, rebuilding it with "new blood" to meet the future needs of the agencies.

In this regard, the Commission reviewed the options available to intelligence agencies under their existing legal authorities to accomplish such restructuring. Without attempting a lengthy analysis here, the Commission reached the following conclusions:

- ◆ The temporary authority most intelligence agencies have to provide early retirement incentives will not in itself accomplish what is needed. Such incentives generally cover only senior employees who are eligible to retire. Many such employees have skills and expertise the agencies wish to retain. Because of the relatively small number of such employees and the fact that agencies will want to retain many of them, they do not constitute an adequate pool from which to accomplish restructuring of the magnitude required.
- ◆ The special authorities of intelligence agencies to terminate employees for national security reasons have been used on a case-by-case basis in the past and only in instances where there is a "security risk" justification. They do not provide authority for large-scale, strategic downsizing.
- ◆ Reduction-in-force authority, available to intelligence agencies under Civil Service rules, requires agencies to accord preferential status to veterans and to persons within their organizations depending upon their length of service in the government and organization as well as their performance appraisals. Use of this authority would result in a loss principally of junior employees, and, thus, also falls short of providing the necessary tools.
- ◆ Managers within the agencies could use existing authorities to terminate employees for poor performance, adjust the mix of skills as they are able, and over time gradually rebuild the workforce. A recent report to the DCI, in fact, recommended this course of action but estimated it would take at least ten years to effect. Even if this were possible (and the historical track record suggests that it may not be), the Commission does not believe that the Intelligence Community has ten years to accomplish the necessary restructuring of skill mix and to free the funds necessary for new technical development and investment.

In addressing this situation, the experience of the private sector is instructive. Corporations have restructured and reengineered, changing their workforces to meet more efficiently the changing needs of the organization. The Commission believes similar “reengineering” should occur within the Intelligence Community. To accomplish this, the Commission concluded that new legislative authority to permit restructuring of the workforces of certain intelligence agencies was necessary and desirable.

9-1. The Commission recommends the enactment of legislation providing temporary, one-time authority to permit intelligence agencies to “right-size” their civilian workforces in the interests of promoting the health and efficiency of their organizations.

The principal features of the Commission’s proposal are as follows:

- ◆ Such authority would be available only to the Director of Central Intelligence and to the Secretary of Defense, who could delegate it to the heads of DoD intelligence agencies.
- ◆ It would be available only to intelligence agencies whose heads determine that the civilian population of the agency should be reduced by at least 10 percent beyond the congressionally mandated level of reduction to maintain the health and efficiency of their organizations.
- ◆ The special authority would exist for one year. For agencies that choose to avail themselves of this authority, they would have a six-month period following enactment of the legislation to decide which personnel billets would be eliminated under this authority in accordance with standards promulgated by the DCI. Another six months would be given for the agency to implement its reductions. At the end of a year, the personnel authorities of the agencies concerned would revert to the *status quo ante*.
- ◆ With respect to the incumbents of positions identified for elimination, if such incumbents are persons who are of retirement age but need to serve five or fewer additional years in order to qualify for retirement benefits, or are persons who have the required period of service and are within five years of retirement age, such persons would be allowed to retire with full benefits.
- ◆ With respect to the incumbents of positions identified for elimination who would not be eligible to retire under the above criteria:
 - A one-time payment of not less than \$35,000 nor more than \$50,000 would be authorized. The exact amount would be determined on a sliding scale, depending upon length of service and other criteria established by the agency head. In any case where the severance pay due an employee under Civil Service reduction-in-force procedures would be greater than the amount authorized under the special authority, the amount paid would be the severance pay;
 - Health and life insurance coverage would be continued for a period of 12 months following loss of employment; and

- **Intelligence agencies would be required to provide outplacement assistance for up to 12 months following loss of employment; *or***
- **The incumbent could retain employment with the agency, provided that he or she can obtain agreement to exchange positions with an incumbent of another position which has not been identified for elimination, subject to the determination of the agency head that the employee is qualified for that other position. The “exchange” employee then must take one of the compensation options outlined above (i.e. early retirement or a one- time payment plus benefits) and leave the agency.**
- **The legislation would provide that termination pursuant to this authority would not prejudice future employment with the Government but that anyone reemployed by the Government within two years of accepting the special compensation package would be required to return the cash payment to the Government.**

In offering this proposal, the Commission had several objectives in mind. First, this extraordinary authority should be available only to large intelligence agencies (CIA, NSA, and DIA) with a severe problem. Second, it ought to be limited in duration in order not to prolong the anxiety of the workforce. Third, it ought to be generous. The need to eliminate positions for the health and efficiency of the organization was not caused by the incumbents of those positions. Individuals need a reasonable opportunity to find new employment with a helping hand from the Government.

The “exchange” feature of the proposal was borrowed from the Canadian Government, which the Commission found had struggled with the same downsizing problem and had recently enacted a similar proposal for government-wide application. In 1994, a test of such a system was conducted at the Canadian Department of National Defense (DND). Its experience—with a package similar to the one developed by the Commission⁴—was considered so successful that the Canadian Parliament adopted the program for the entire government.⁵

The Commission anticipated and examined two potential objections to its proposal: one involving its costs; the other, a security concern.

To determine the cost of this proposal, the Commission requested a study by a professional actuarial firm, which concluded that the cost of the proposal would be minimal, if any, in the first year (depending upon when terminations occurred during the fiscal year) and would realize substantial savings in the out-years. The study did not take into account that, to some degree, intelligence agencies would be hiring new

⁴ The Canadian DND proposal is actually more generous than the proposal recommended by the Commission. Compensation under the Canadian plan offers a maximum benefit up to two years worth of an individual’s salary, excluding a separate departure allowance of up to 15 weeks of regular pay (for some individuals) and/or \$7000 of educational training.

⁵ In expanding this legislative compensation package to the entire government, the Treasury Board specified 13 agencies and departments within the government which were unable to meet their previously mandated downsizing targets and which would be able to take advantage of this special benefits package.

The Vice President's National Performance Review's report on the Intelligence Community, published in September 1993, had as its lead recommendation the enhancement of Intelligence Community integration. ". . . if it is to be a responsible player in government, the Community must find ways to share resources, be more efficient and effective, and reduce overhead . . ." "The goal is not to build big central bureaucracies. Rather, it is to create common frameworks in which the elements of the Intelligence Community can pursue their departmental and national intelligence roles." The Review also recommended that the Community develop integrated personnel and training systems, and the establishment of a common set of personnel standards and practices, one set of security policies and standards, community-wide language proficiency standards, a vigorous program of interagency rotational assignments, a consolidated training structure with the sharing of programs and facilities and the construction of a community-wide skills bank. The Intelligence Community did not implement any of the NPR's recommendations.

The Joint Security Commission issued a report in February 1994 recommending common standards for adjudications and a joint investigative service to standardize background investigations and thus take advantage of economics of scale, improvements in information systems security, a radical new classification system and a special permanent committee to replace the numerous existing fora that independently develop security policies. The classification recommendation was enacted in a Presidential Executive Order in April 1995, some aspects of personnel security were addressed by an Executive Order in July 1995 and a permanent Controlled Access Program Oversight Committee was established in August 1995.

The Intelligence Community Revolution Task Force (June 1995) strongly recommended the adoption of common management procedures and processes throughout the Community to facilitate movement of personnel and to cut infrastructure costs by creating a single personnel system, improving performance evaluation, consolidating recruitment and training, and creating common standards of security. The Community leadership is still reviewing these recommendations.

The Intelligence Community Task Force on Personnel Reform (July 1995—also known as the Jehn study) identified four principal problem areas: a largely dysfunctional system of performance appraisal and management; a lack of systematic career planning and professional development across the Community; the variety and complexity of the various personnel systems; and the inadequate promotion of a sense of community among the agencies. This report was briefed to DCI Deutch in August 1995 and the Community is reviewing its recommendations.

employees with the skills needed for the future. However, the Commission does not believe that new hires would alter the basic finding of the study.

Another potential concern is that employees who are terminated will take revenge by committing espionage, or become unstable and disclose sensitive information, or institute discrimination lawsuits. While such concerns cannot be totally dismissed, neither is there compelling evidence they would be significant problems. A relevant observation is that there clearly have been substantial layoffs among defense contractors, whose employees have access to classified information, without such problems arising.

The Commission recognizes that there will be substantial obstacles to overcome if this proposal is to be enacted into law. Further, it will not be easy for agency heads to decide to avail themselves of this authority even if it is enacted. The pressures will be intense not to do so. But the Commission sees no alternative way of alleviating the problem and restoring the health of the intelligence function.

Promoting “Community”

While “jointness” has been embraced by the military, the concept has yet to take root firmly in the Intelligence Community. Intelligence agencies tout the virtue of a “Community” approach to intelligence, but their personnel and administrative systems belie their enthusiasm. As noted earlier, the largest intelligence agencies maintain separate administrative, personnel, security, and training systems. Not only are the systems independent, but there is little or no standardization among them.

Similar conclusions have been reached by numerous studies reviewed by the Commission, all urging greater consolidation of personnel and administrative functions and use of common standards. (See inset.) While leaders within the Community have repeatedly supported the recommendations made in these studies, little appears to have been done to implement them. Each agency continues to:

- ◆ establish its own pay scales and employee benefits;
- ◆ establish its own criteria for proficiency in job skills, even though such skills may be in use in other agencies;
- ◆ maintain its own system for evaluating the performance of employees;
- ◆ establish its own security requirements for employees and contractors and for the protection of its facilities;
- ◆ operate, with a few exceptions, its own training programs;
- ◆ issue its own identification badges;
- ◆ publish its own vacancy announcements and do its own job recruiting; and
- ◆ run its own career development program.

While the Commission is willing to accept that some latitude is needed for individual agencies to satisfy their unique requirements, we see no reason for all of these programs and activities to be administered separately, or, at least without greater uniformity. The lack of standards and cooperative arrangements increase the costs of the activities involved to the Government and also discourage movement between organizations, which is crucial to fostering “Community.”

9-2. The Commission recommends that the DCI, using the Community Management Staff, establish common standards for the Intelligence Community in the areas of skill proficiencies, personnel evaluation systems, trial period performance criteria, personnel allowances and benefits, and personnel and physical security.

9-3. The Commission recommends that the DCI, using the Community Management Staff, establish cooperative arrangements within the Intelligence Community in the areas of job recruiting, the conduct of background investigations, internal and external training programs, and the sharing of common facilities.

Special emphasis also needs to be given to promoting rotational assignments among intelligence agencies. While a limited amount of this is done, there remains little incentive for an employee to take a rotational assignment out of his or her home agency. On the contrary, a rotational assignment tends to take an employee out of a normal career progression and usually involves cumbersome security and personnel processing (e.g., skill recertification, polygraph examinations).

Yet rotational assignments appear the most feasible and effective means to promote “Community.” Not only do they provide an employee of one agency an opportunity to become familiar with another agency’s operations, they tend to break down stereotypes and foster personal contacts and synergies that last long after the rotational assignment is over. *In our view, rotations should become the norm rather the exception within the Intelligence Community.*

9-4. The Commission recommends that at least one rotational assignment to another agency within the Intelligence Community be established as a prerequisite for promotion to the Senior Executive Service level within each intelligence agency.

Increasing the DCI’s Control of Intelligence Personnel

Out of exasperation with the lack of progress to date, a number of those interviewed urged the Commission to consider addressing the foregoing problems (e.g., eliminating duplicative activities and promoting a “Community” approach) by giving the DCI control over personnel within the Intelligence Community. The DCI would issue uniform standards, direct that functions be consolidated, and rotate Community personnel unilaterally.

Clearly, such authority would require new legislation. But apart from that difficulty, the Commission does not believe that this idea is either feasible or desirable. It is not feasible because the DCI simply lacks the capacity to manage the large and complex

personnel and administrative operations of the Intelligence Community. It is not desirable because agencies within the Intelligence Community should have the ability to take necessary actions to satisfy their personnel and administrative requirements.

Nevertheless, there is a need for an overall, comprehensive personnel strategy for the Intelligence Community that today is lacking. The present decentralized system simply does not allow for this type of planning or execution.

A possible middle ground would be to make senior executives within the Intelligence Community part of a separate personnel system under the overall management of the DCI. Similar to the original concept for the Government's Senior Executive Service, executives who were part of a "Senior Intelligence Service" (SIS) would be interchangeable across the Community. Departments and agencies would retain their existing SIS billets, but the concurrence of the DCI would be required for the appointment, promotion, and removal of SIS employees. The DCI would promulgate uniform regulations setting SIS pay rates (including performance award pay), performance appraisal standards, promotion guidelines, and standards for appointment to and removal from the SIS.

Proponents of this option see considerable benefits in such a system. It would go far toward achieving a "Community" approach, for the first time making senior managers accountable to the DCI. It would help overcome the parochialism that often prevents agencies from effecting costs savings and efficiencies. It would facilitate consistency and effectiveness in the training of senior managers and provide a cadre of professionals with broad-based Community experience which does not exist now. Moreover, it could provide a framework in which the pervasive shortcomings of the Intelligence Community in the personnel area could be addressed in a uniform way, leading to improved training, more effective performance appraisal systems, and career development programs for the entire Intelligence Community. In short, a Community-wide SIS system could have a cascading effect at every level of the workforce.

At the same time, such a system would create dual lines of responsibility for the senior executives in the system. They would be responsible to the agency head whom they served on a daily basis and who would presumably rate their performance; at the same time, they would be responsible to the DCI, at least to the extent that the concurrence of the DCI was required for their appointment, promotion, and removal.

The Commission believes the means can be found to reconcile the administrative difficulties created by such a system, and, on balance, the potential advantages of such a system clearly outweigh its disadvantages.

9-5. The Commission recommends enactment of legislation to establish a Senior Intelligence Service for the Intelligence Community under the overall management of the DCI.

Military Intelligence

THROUGHOUT its history, the United States has maintained an intelligence capability principally to meet the needs of its military. These needs have been, and are today, wide-ranging and substantial. They include information on the size, capabilities, location, disposition, and plans of foreign military forces, as well as information about foreign countries and events in foreign countries required to plan for and carry out military operations.

A variety of intelligence organizations help to meet these needs. Producing military intelligence analysis is chiefly the responsibility of the Defense Intelligence Agency (DIA), the intelligence elements of the military services and the Unified Commands, and tactical intelligence units organic to the fighting forces. Other intelligence organizations (e.g., the National Security Agency, the Central Imagery Office, and the Central Intelligence Agency) also make significant contributions by providing support to current operations.

Together these organizations provide a broad range of support. They advise defense policymakers on political-military matters, major acquisitions, and force planning. They provide threat projections that guide the military services in how best to “organize, train, and equip” their forces, and warn of potential crises. Finally, they support the employment of the armed forces across a broad continuum of operations, from disaster relief, to peace-keeping, to combat operations. The principal consumers of such information are U.S. combat forces, the military departments, the Secretary of Defense, and the President, but those responsible for foreign policymaking often have need for such information as well.

This chapter examines the organizational arrangements for carrying out the military intelligence mission. To understand these arrangements, however, it is necessary to appreciate in general terms how the Department of Defense itself is organized.

DoD Organization and Mission

The Department of Defense (DoD) was created by law in 1949. It comprises the Office of the Secretary of Defense, the Joint Chiefs of Staff, the military departments, 16 “defense agencies” which were created by the Secretary of Defense to perform particular functions, and nine “Unified Commands” responsible for the conduct of military operations.

The Secretary of Defense exercises direction and control over all elements of the Department. He has responsibility for setting policy, allocating resources, and monitoring compliance with policy and resource decisions, as well as for functioning in the chain of command for military operations. The Office of the Secretary contains numerous staff elements under civilian managers who assist the Secretary in carrying out his responsibilities in particular functional areas.

The Joint Chiefs of Staff (JCS) consists of the Chairman, Vice Chairman, and the senior military officers of the services—the Army, Navy, Air Force, and Marine Corps.

The Joint Staff, which reports to the Chairman, assists the Secretary in developing doctrine, tactics, and procedures for the operational employment of the military forces and advises the Secretary on actual operations.

The military departments (Army, Navy, and Air Force), each under the authority of a civilian Secretary, report directly to the Secretary of Defense. They are responsible for “organizing, training, and equipping” their respective forces.

The 16 defense agencies (e.g., the Defense Logistics Agency, the Defense Intelligence Agency, and the Defense Investigative Service) provide specialized support to the Secretary and other elements of the Department in various areas (e.g., research and development, intelligence, security).

Each of the Unified Commands operates under the authority of a commander-in-chief (CINC), who is responsible to the Secretary of Defense for the conduct of all military operations within his respective geographic or functional area. Some military operations are conducted under the authority of a commander of a joint task force (JTF), commands created and tailored by the CINC for a particular operation.

Ultimate responsibility for operational control of the military forces rests with the President and Secretary of Defense who receive advice and assistance from the Joint Chiefs of Staff. The Goldwater-Nichols Department of Defense Reorganization Act of 1986 designated the Chairman of the Joint Chiefs of Staff as the principal military adviser to the President, Secretary of Defense, and National Security Council.¹ While the CINCs are directly responsible to the Secretary for the conduct of military operations, the Chairman of the JCS is responsible, together with the CINCs, for developing plans, strategies, and military doctrine to govern joint warfighting, and for making resource recommendations to the Secretary of Defense where joint warfighting capabilities are involved. The military services retain their responsibility to “organize, train, and equip” their forces, including those comprising the Unified Commands.

The deployments of U.S. military forces since the enactment of Goldwater-Nichols—from combat to humanitarian missions—have led to numerous changes in the organizational structure to support the needs of joint warfighting. In particular, the focus on joint operations has made clear the need for common tactics, techniques, and procedures among the military services.

Organization of Military Intelligence

The organization of military intelligence has evolved principally to serve its various users in the execution of their responsibilities.

Within the Office of the Secretary of Defense, **the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (ASD(C³I))** provides the principal staff support to the Secretary for executing his functions with regard to intelligence, i.e.,

¹ Public Law 99-433. The Act, among other reforms, created the position of the Vice Chairman, JCS.

Chapter 10

developing and monitoring compliance with policy and allocating resources. In 1993, the **Defense Airborne Reconnaissance Office (DARO)** was established within the office of the Under Secretary of Defense for Acquisition and Technology to develop and acquire manned and unmanned airborne reconnaissance systems.

Substantive analytical support for the Secretary, his staff, and the Unified Commands is provided principally by the **Defense Intelligence Agency (DIA)**, whose Director is appointed by, and reports to, the Secretary. DIA was created in 1961 to provide current intelligence to all of DoD, consolidate analysis on general military topics being performed by each of the military departments, coordinate DoD's contribution to national intelligence estimates, confirm the needs of DoD components for intelligence, and coordinate the performance of common functions. Over the years, however, DIA's responsibilities have progressively expanded.

Today, DIA supports the Secretary and his staff by providing substantive intelligence support for the execution of many of their key functions, from decisions regarding the use of military force, to major acquisition decisions, and to their dealings with foreign counterparts.

The Director of DIA also reports to the Chairman, JCS, both in his capacity as head of a "combat support agency" and as the Chairman's principal intelligence adviser. Because there is no intelligence staff officer on the Joint Staff *per se*, the Director of DIA fulfills this function, delegating day-to-day responsibility to a subordinate officer whose title is "**Director for Intelligence, J-2.**" This officer supports the Chairman, JCS, the Joint Staff, and the Secretary with current global intelligence on situations that may require U.S. military involvement. DIA also provides intelligence support to the military departments by producing independent assessments of foreign military capabilities that assist the departments—who also undertake such assessments—in organizing, training, and equipping their forces.

DIA manages certain department-wide intelligence activities. Its National Military Intelligence Collection Center confirms the need for intelligence requirements levied by Defense customers. DIA also establishes overall priorities for intelligence-gathering by national systems to satisfy military requirements. In war or crisis, authority to task these national systems passes to the Secretary of Defense, and DIA acts as the focal point for such tasking. DIA also manages the Defense Attache System and the recently created Defense HUMINT Service, and it coordinates intelligence analysis and production among the military departments and Unified Commands.

Finally, DIA fills several key roles in the Intelligence Community. Its Director is responsible for putting together a consolidated budget for "general" defense intelligence activities within the National Foreign Intelligence Program, and administers the office which oversees intelligence collection for the purpose of obtaining measurements and other physical data (MASINT).

The organization of the Joint Chiefs of Staff has taken a more active role in intelligence matters in recent years. This is, in part, a result of the new roles assigned to the Chairman, JCS, by the Goldwater-Nichols Act, and in part to the increasing role "national" intelligence systems (i.e., imagery satellites and SIGINT systems) play in

supporting military operations. To help prepare the Chairman's annual recommendation to the Secretary of Defense on resource allocation, the JCS has established a process that examines how intelligence, surveillance and reconnaissance capabilities contribute to joint warfighting.

The JCS has also taken a more active role in developing intelligence systems "architectures" and doctrine for the Unified Commands, to ensure that intelligence capabilities at both the national and tactical levels are interoperable and can be used effectively in the planning and execution of military operations. Recent technological advances have made it possible for commanders to receive "real-time" reporting from national collection systems, target their weapons more effectively, and assess the damage inflicted. Real-time knowledge of the size, location, movement, and capabilities of enemy and friendly air, sea, and ground forces throughout the combat zone and beyond, will provide a crucial advantage to U.S. forces, allowing them to dominate the conflict. Fewer resources will be needed and fewer casualties incurred.

At each of the **Unified Commands**, activities comparable to those performed at the national level are underway. The command's intelligence staff officer ("J-2") is charged with developing plans, programs, and architectures to ensure that intelligence capabilities are available, interoperable, and can be employed in support of joint operations. Utilizing a concept successfully employed during Operation Desert Shield/Storm, **Joint Intelligence Centers (JICs)** have been established within each command to serve as the focal point for tasking national and tactical intelligence collectors. The JICs also provide analysis tailored to the needs of the CINC, his staff, and subordinate commanders.

The **military departments** continue to maintain extensive collection and analysis capabilities to support their departmental functions (e.g., acquiring weapons systems, training personnel, and developing military service doctrine). They also provide tactical intelligence support on the battlefield or at sea.

How This Structure Performs

The Commission attempted to assess this complex structure by reviewing the recent reports on the subject, interviewing practitioners and consumers at all levels, and visiting numerous military commands and Defense facilities.

We found that military intelligence has not lost its principal focus on providing the best possible support to the soldiers, sailors, airmen, and marines who may be put in harm's way. We also found that military commanders have become more knowledgeable about national and tactical intelligence capabilities, and more intent on integrating those capabilities into all phases of their operations. Technical advances in computing and communications have made such integration possible.

DIA has made substantial progress toward reducing duplication in military analysis and production, long seen as a substantial problem. Its National Military Intelligence Production Center assigns responsibility for analysis to the analytical components in the military services and the Joint Intelligence Centers, and then monitors production to prevent overlap. Yet problems in military analysis and production remain.

DIA is the largest analytical organization, created originally to consolidate the separate analytical efforts of the military departments on general military topics. The analytical components of the military departments were expected to provide intelligence support to acquisition and training, especially the scientific and technical expertise required to satisfy the unique needs of their respective departments. Each service, in fact, maintains a large intelligence element to provide this service-specific analytical support.² Large analytical elements also exist at the Joint Intelligence Centers of each Unified Command that provide tailored analysis to the CINC within his theater of operations. Smaller analytical elements still exist at subordinate commands within theaters.

The Commission does not dispute the need for these analytical organizations. Each appears to serve a legitimate function. The Commission is concerned, however, by the large size of these organizations as well as with what appears to be the tendency to exceed their core missions. The dividing line between DIA's analytical responsibilities and those of the military departments remains blurred despite the agreed-on production process described above. The Commission also found in the course of its visits to overseas commands that some analytical elements were collecting and analyzing information on political and economic topics that appeared to exceed the scope of their missions.

The Commission had neither the resources nor the time to make a detailed evaluation of these issues, but believes such an assessment is needed.

10-1. The Commission recommends that the Secretary of Defense undertake a comprehensive examination of the analytical and production organizations within DoD, including DIA and the production elements within the military services and Unified Commands, to eliminate unnecessary overlap, to ensure consistency with the core missions of each organization, and to determine the proper size and resources these organizations require.

Problems also are apparent in other areas. Responsibility for allocating resources to military intelligence programs is diffused, and budget decisions are not always made with a clear understanding of how total capabilities will be affected. (The Commission's proposed budget realignment discussed in Chapter 7 addresses this issue.) Interoperability problems still exist between intelligence systems developed by each of the military services and agencies. Dissemination systems are not fully adequate to support deployed forces, and because collection capabilities are increasing, the pressure on both tactical and national processing capabilities is certain to grow. Satellite collection systems and precision weapon systems still need to be fully integrated so that a tactical commander can train with them in peacetime and utilize them in combat. Computer simulations to assess the performance and cost-effectiveness of intelligence capabilities are limited, and such tools also are needed for joint exercise support. Intelligence support for coalition forces or multinational organizations with which U.S. forces may operate also needs improvement. (This topic is discussed further in Chapter 12.)

² The Army element is the National Ground Intelligence Center; the Navy element, the National Maritime Intelligence Center; the Air Force element, the National Air Intelligence Center; and the Marine Corps element, the Marine Corps Intelligence Activity.

Possible Organizational Improvements

With responsibility for military intelligence dispersed among the staff of the Secretary of Defense, the military departments, the JCS, the Unified Commands, the Defense Intelligence Agency, and other national intelligence components located in the Department of Defense (e.g., the National Security Agency, Central Imagery Office), it is not surprising that a variety of joint programs and other types of hybrid management arrangements have been created to accommodate the equities involved. A multitude of boards, working groups, committees and review groups also have been created to coordinate intelligence activities. Some, such as the Military Intelligence Board, an informal committee consisting of representatives of the key intelligence elements, appear to play a valuable coordinating role. In other cases, the multitude of coordinating mechanisms seems to stifle progress.

To improve the civilian management of military intelligence, the Commission considered the desirability of a separate Assistant Secretary of Defense for Intelligence. Under current law, the Secretary of Defense is authorized to have either an Assistant Secretary for C³I (the existing arrangement), or a separate Assistant Secretary for Intelligence, as long as the total number of assistant secretaries does not exceed the number allowed by law. Those who favor separation contend that the responsibilities of the Secretary for intelligence are so numerous and demanding that a full-time assistant secretary is needed. Others contend that combining the responsibility for intelligence with the responsibility for command, control, and communications makes sense because for intelligence to be effective, it must be closely associated with the C³ functions. ***The Commission believes that the decision to continue the present arrangement or to create a separate Assistant Secretary of Defense for Intelligence should be left with each Secretary. There is, however, a clear need to integrate intelligence dissemination systems with command and control networks, whichever structure is chosen.***

At the same time, several witnesses told the Commission that the Office of the Assistant Secretary of Defense for C³I has been less than effective in carrying out its responsibilities. Some attributed this to the office's taking on major responsibilities not directly supporting its command and control, communications and intelligence functions (e.g., overseeing information systems support to DoD as a whole). Others pointed to an inadequate staff capability. In any case, many believe the office should be strengthened.

Some witnesses suggested that the management of military intelligence would be improved if a single authoritative leader (short of the Secretary) were created. In 1995, the Commission on the Roles and Missions of the Armed Forces recommended that a senior military intelligence officer be appointed with authority to review, evaluate, and revise intelligence programs, and to make recommendations to the Secretary of Defense concerning the organization and structure of DoD intelligence activities. That Commission did not suggest who this officer should be or where in the Defense structure he should be located.

This Commission decided against endorsing a single authoritative leader for military intelligence. As noted above, there are several authoritative voices in defense intelligence short of the Secretary. Where authority lies depends on the function involved. Responsibility for developing overall policy and resource recommendations for the

Secretary rests with the ASD(C³I), who is the Secretary's principal staff assistant for intelligence matters. The Director, DIA has overall "corporate" responsibility for intelligence analysis and production as well as Defense-wide coordination functions, such as collection management. The Chairman of the JCS and CINCs are principally responsible for ensuring the intelligence needs of joint warfighters are met. The chiefs of intelligence for each of the military services are responsible for satisfying the intelligence needs of their respective departments. The Commission finds there are valid reasons for maintaining these responsibilities where they currently are lodged. To combine them under a single manager would not improve the quality of intelligence support, but would only complicate the performance of existing roles and responsibilities. Further clarification of roles is desirable, but not further consolidation of functions.

Director for Intelligence (J-2), the Joint Staff

Reflecting the changes to the JCS and Joint Staff brought about by the Goldwater-Nichols Act, the J-2 has assumed a greater role in developing intelligence doctrine and "architectures" to ensure that national and tactical intelligence capabilities can be employed effectively in support of each CINC's responsibilities. He also has assumed principal responsibility for the intelligence aspects of the Chairman's annual report to the Secretary on defense capabilities. Through a working group of the Joint Requirements Oversight Council of the JCS, the J-2 formulates recommendations for the Chairman on proposed capabilities and resources for national and tactical intelligence, surveillance, and reconnaissance activities funded within the Defense budget. While DIA continues to provide most of the staff support for these functions, the J-2 clearly is being tasked to perform Joint Staff functions beyond the provision of current intelligence.

As noted above, there is no staff officer on the Joint Staff *per se* who deals with intelligence. The officer who serves in this capacity (i.e., as the "J-2") is assigned to DIA and reports to the Chairman, JCS as a *de facto* member of the Joint Staff (as well as to the Director of DIA). His principal duty is to provide current intelligence support (i.e., information on developments that might affect U.S. military interests, and intelligence support to ongoing military operations) to the JCS and to the CINCs. In this capacity, the J-2 manages the National Military Joint Intelligence Center in the Pentagon, staffed by DIA personnel and representatives from other agencies, as well as the DoD global indications and warning system.

During crises and other contingencies involving the deployment or likely deployment of U.S. forces, the J-2 facilitates the flow of intelligence to the CINCs and joint task forces by ensuring that collectors and producers at the national level are responsive to their operational needs. During Desert Storm and subsequent deployments of U.S. forces, he also has served as a principal intelligence spokesman for the Chairman, JCS, providing assessments to the press and/or congressional committees as needed.

No other function on the Joint Staff is performed predominately by staff "on loan" from a Defense agency. The personnel, operations, logistics, communications, planning, and other functions are all carried out by individuals assigned to the Joint Staff.

10-2. The Commission recommends that the “J-2” become a part of the Joint Staff, rather than continue to be part of DIA with responsibilities to both organizations. The J-2 should continue to provide current intelligence to the Chairman, JCS and the CINCs (utilizing support from DIA rather than creating a separate staff organization for this purpose), operate the National Military Joint Intelligence Center, and carry out the JCS-specific functions (e.g., doctrine, reviewing theater architectures, CINC liaison, capabilities assessments, resource recommendations) within the Joint Staff framework. The J-2 should have his own staff, commensurate with Joint Staff manning and resource levels, to carry out these functions.

The Commission’s recommendation would change the responsibilities of the Director of DIA. That agency would focus on producing and managing long-term military intelligence analysis, supporting the intelligence needs of the Office of the Secretary of Defense (including the provision of current intelligence), and managing other Defense-wide military intelligence functions. DIA would continue to provide current intelligence support to the J-2 and provide personnel support for the National Military Joint Intelligence Center, but would no longer perform Joint Staff functions. Its Director would continue to report to the Secretary of Defense and, as head of a combat support agency, to the Chairman, JCS.

Under this arrangement, the J-2 would clearly remain heavily dependent upon DIA’s support. (Indeed, the Commission anticipates no diminution in such support.) It is also important that the J-2 *not* duplicate DIA’s functions by maintaining analytical capabilities beyond what is required to fulfill his responsibilities to support military operations. The Commission leaves to the Secretary of Defense and the Chairman, JCS, issues pertaining to the rank and status of the affected officials.

An Intelligence Systems Architect

However effective collection and analysis may be, intelligence is useless if it does not reach military commanders in a form they can use and at the time they need it. It is imperative, therefore, that intelligence support to military operations be synchronized with global command, control, and communications systems. Dissemination channels for intelligence must be compatible with the information systems of the forces, permitting intelligence to be assimilated immediately for use in targeting and delivering precision weapons.

In this regard, the Commission found that there are still deficiencies that derive from the separate organizations and entities responsible for building the military forces (the services); those responsible for building and operating national systems, especially satellite and airborne collectors (the intelligence agencies); and those responsible for the conduct of military operations (the CINCs). Commanders must be able to control both weapons and sensors in an integrated operation. To this point, they have had to rely on intelligence sensors, communications channels, and weapons that have been developed largely without regard for each other. Military components often still have communications and computer systems that cannot communicate with the joint task force to which they are assigned. While DoD is taking steps to phase out these “legacy” systems to create “seamlessness” across its joint fighting forces, the process is far from complete.

The Commission found no less than nine offices or boards within DoD that asserted responsibility for dealing with all or part of this “architecture” problem. Some were focused on the intelligence side, some on the communications side, and others from the tactical users’ perspective. The impression is one of less than a coherent, unified effort.

10-3. The Commission recommends the appointment of a single systems architect whose function cuts across intelligence, surveillance, and C³, and who closely coordinates with weapon systems designers to achieve a more coherent approach to this critical set of problems.

The responsibilities of the ASD(C³I) come closest to encompassing the various aspects of the architecture problem. He is accountable to the Secretary for the overall supervision of intelligence and C³. While the office is not responsible for weapons’ system design, it is well positioned to affect such coordination. Any actions recommended by this office would also have to be closely coordinated with the JCS to ensure consistency with military operational requirements and with the recommendations developed for the Chairman by the Joint Requirements Oversight Council, as well as with the acquisition elements of the military services and Defense agencies. In this way, the Secretary of Defense would be presented with coherent recommendations regarding the acquisition of intelligence, communications, and weapons systems to best satisfy the needs of joint warfighting.

Clandestine HUMINT Operations

Collecting intelligence through human sources (HUMINT) has been undertaken by elements of military intelligence throughout its history. Recently, military HUMINT activities have included overt intelligence-gathering by military personnel, such as military attaches; collection by special elements in advance of the deployment of U.S. military forces; and, finally, the clandestine recruitment of human sources by military personnel. Prior to 1995, this last aspect of HUMINT collection was undertaken on a limited scale by intelligence elements in each of the military departments. Army intelligence was the most involved, with Air Force and Naval intelligence participating to a lesser degree.

In October 1995, to reduce the cost of four separate military HUMINT organizations and to improve coordination, the operating elements of the military services were combined under the newly created Defense HUMINT Service, managed by the Defense Intelligence Agency. Reportedly, 80 percent of the work of the new service is devoted to overt collection, e.g., collecting publicly available information, attending scientific and professional conferences, and interviewing persons who had access to information of interest, and 20 percent to the development of clandestine human sources. Such operations are carried out by specially-trained military personnel and coordinated with the CIA.

A number of those interviewed by the Commission, including some military officers, urged that the clandestine HUMINT operations of the military services (and now the Defense HUMINT Service) be discontinued and left entirely to the CIA. They contended that over the years such activities have produced little of value and are difficult for the military to conduct. They argue that the cost of maintaining a separate infrastructure to conduct clandestine HUMINT operations is simply not justified by the limited results.

Clearly, the United States needs human intelligence on foreign military forces. Because of their specialized knowledge, military personnel are important to this effort. Few current CIA HUMINT collectors have significant military experience. At the same time, the military faces a number of practical problems in mounting these types of operations. It is difficult to maintain a professional cadre of collectors because military officers usually spend only a few years at a time in HUMINT assignments and then must return to their career track to remain eligible for promotion. HUMINT operations also require a large and complex infrastructure from which to operate, including overseas offices, cover legends, and specialized training.

10-4. The Commission recommends that the clandestine recruitment of human sources, now carried out by active duty military officers assigned to the Defense HUMINT Service, be transferred to the CIA, utilizing military personnel on detail from DoD, as necessary. In carrying out this responsibility, the CIA needs to coordinate closely with the CINCs to ensure that their operational needs are met and that commanders have confidence in the support they are receiving.

The Defense HUMINT Service should remain responsible for the Defense Attache System and for the overt collection of information for military consumers. This recommendation also is not intended to affect clandestine HUMINT activities undertaken by DoD elements in advance of, or as part of, a military operation.

Adoption of this recommendation should provide limited cost savings, but cost savings are not the principal reason for the recommended realignment of functions. Rather, the Commission believes it is more in keeping with the respective roles and comparative advantages of the CIA and the military.

Space Reconnaissance and the Management of Technical Collection

U.S. intelligence capabilities to perform reconnaissance from space warrant special attention because they consume a major portion of the resources devoted to intelligence, embody the most advanced technology and industrial capabilities of the nation, and are a distinguishing attribute of the U.S. geopolitical profile.

Space reconnaissance assets provide access to all parts of the globe and use a variety of sensors to collect information responsive to virtually every intelligence need. They also constitute an integral part of the U.S. military force structure, providing critical information with sufficient accuracy and timeliness to support the maneuver of military forces and the targeting of their weapons. The integration of these assets into the planning and execution of military operations is not yet complete, however, and represents important work that must continue. (See the discussion of this subject in Chapter 10.)

The space systems developed by U.S. intelligence employ unusually advanced technology and require extraordinary skill and industrial capability to build and operate. No other nation is capable at present of creating similar systems. As such, these systems represent a comparative advantage that the United States is likely to retain if it chooses to do so.

There are, nonetheless, shortcomings in the current posture.

The current U.S. capability in space is vulnerable to the failure of any single system. There are a relatively small number of large and expensive systems deployed, and the failure of one causes a substantial reduction in overall capability. This structure has evolved, in part, from the need to make maximum use of each satellite platform and to reduce the cost of separate launches.

Space reconnaissance is also very expensive. Although procured in limited numbers, the large satellite systems developed by the United States and the ground stations needed to operate them require expenditures in the range of several billions of dollars per year. Their substantial cost puts great pressure on the Intelligence Community to search for alternatives, find efficiencies, and continuously scrutinize the intelligence requirements these systems address.

The Commission believes that in the future it may be possible both to reduce the vulnerability of U.S. space capabilities and their overall costs by collaborating more closely with allies in the area of space reconnaissance. In addition, the Commission believes that by taking advantage of developments in the commercial satellite industry, the costs and vulnerability of current capabilities might be further reduced. The Commission's views on these subjects are elaborated in the sections that follow.

International Cooperation in Reconnaissance Programs

Satellite reconnaissance, once the exclusive domain of the United States, the former Soviet Union, and to a lesser degree China, now is expanding to other countries. France

and Israel have launched their own imagery satellites, and a consortium of European nations is being formed to develop a new generation of imagery systems. Still, there is little challenge to U.S. preeminence in the field. The Commission believes that the United States should use its current position to encourage other nations to enter into cooperative burden-sharing arrangements with us. At the same time, it should continue to enhance its own space reconnaissance capabilities.

To permit the United States to expand international cooperation in the space reconnaissance area, the Commission proposes a two-tiered approach to the development and deployment of satellite systems. The United States would retain in the first tier its own high-end classified systems which involve the most sophisticated technology and techniques and are used to collect against the most critical consumer needs. The second tier would be developed in conjunction with friendly and allied governments and would consist of capable, but technically less sophisticated reconnaissance systems that would emphasize the application of commercially available technology where possible as well as the application of existing industrial capability. Foreign partners would be able to build, operate, and control their own satellites and ground stations, which would form part of a larger overall system. As time goes on, even more sophisticated and capable satellites are likely to be developed. In that event, if partners are prepared to support the costs, earlier versions of the upper tier might be made available for partnership use.

The system of satellites developed through these arrangements would greatly expand the existing area of coverage and capabilities across a spectrum of needs, including those of the foreign partners involved. These arrangements would require sharing U.S. technology with foreign partners, but the cost of the system would be fully borne by the countries that participated. The arrangements would be accomplished exclusively through government-to-government agreements, rather than through commercial sales.

The Commission believes that both the United States and its foreign partners would benefit. For the United States, there would be an increase in the geographic coverage and revisit times of these systems, reducing the vulnerability of U.S. systems to single system failure. In time, there should be monetary savings that could be used to maintain the technological preeminence of the high-end capabilities. Concerns with security would be minimal because less sensitive technologies would be involved. Finally, new opportunities for international cooperation between friends and allies would be opened, strengthening the overall security posture of the United States.

Foreign partners would benefit from participation in a global space reconnaissance system with a relatively small investment of funds. They would share in U.S. technology and their industrial sectors would participate in building and operating components of the system. Foreign partners also would stand to benefit from future technological advances that were shared with participants in the system. It might also be possible for the United States to share the product, if not the technologies, from its first tier systems.

11-1. The Commission recommends that the U.S. Government more aggressively seek to develop government-to-government arrangements with friendly and allied governments in the space reconnaissance area. To permit the expansion of such efforts, the Commission recommends the development of a two-tiered approach to international cooperation in space similar to that described above.

The Policy Governing the Sale of Commercial Imagery Systems

The Commission believes that new government-to-government arrangements in space reconnaissance are likely to produce the greatest overall benefits for the United States, but the development and sale of commercial remote sensing systems by U.S. industry also may produce benefits for U.S. intelligence agencies, a point discussed more fully in the section that follows. Unless the policy governing the foreign sale of these systems permits U.S. firms to compete effectively with their foreign counterparts, however, the investment U.S. firms are willing to make in such systems is apt to be small.

In March 1994, President Clinton signed Presidential Decision Directive 23 (PDD-23) which, for the first time, established an industrial policy permitting U.S. firms to obtain licenses to market imagery products and systems commercially. The stated goal of this policy was to “enhance U.S. industrial competitiveness in the field of remote sensing space capabilities while at the same time protecting U.S. national security and foreign policy interests.”

Under the terms of the directive, the U. S. Government retains “shutter control” of any commercial imagery systems licensed for sale to foreign purchasers by U.S. firms outside of a government-to-government agreement. This means the U.S. Government would retain the right to curtail the use of any imaging system sold by a U.S. firm to a foreign purchaser when it perceived its national security interests were affected. It was felt that this authority was needed in the event a domestic or foreign purchaser sought to use the system contrary to U.S. interests. Any proposed sale or transfer by a foreign recipient of sensitive components or subsystems also would be subject to U.S. Government approval.

Currently, there are four U.S. firms or consortia licensed under this policy to market imaging systems. None has launched a satellite yet, and the first such launch is not expected until late 1997.

The “shutter control” policy embodied in the President’s directive appears to impose conditions that are likely to be unacceptable to countries considering the purchase of U.S. commercial systems. Potential foreign customers are faced with a choice of investing in affordable, reliable commercial systems where the U.S. has ultimate control, or investing in expensive, less reliable and unproven foreign systems over which they can retain full control. This would seem to conflict with the directive’s stated objective of “enhancing U.S. industrial competitiveness.” Even without the shutter control policy, the United States would determine, through the export licensing process, which foreign countries are permitted to purchase U.S. commercial systems, thereby reducing the risk of sale to countries where relationships are apt to go sour.

On the other hand, if new government-to-government arrangements in space reconnaissance are developed as the Commission recommends, they would be likely to supplant commercial sales of imagery systems to our closest allies, leaving the potential market for such sales consisting of countries which are other than our closest allies. If such arrangements were put in place, it might argue for retaining shutter control over commercial sales.

While the pros and cons must be carefully weighed, where imagery is concerned the technology genie is clearly out of the bottle. Other countries now are able to build and launch satellites that capture images from space, and the number of these countries is certain to grow. Governments unable to afford their own satellite systems will be able to purchase images produced by the systems of other nations, whether or not such images threaten U.S. security interests. In short, the Commission believes the shutter control policy may be counterproductive in terms of limiting the development and sale of commercial imagery systems by American industry, and, at the same time, provide little effective protection to U.S. security interests.

11-2. The Commission recommends that the shutter control policy embodied in Presidential Decision Directive 23 be reexamined.

Reliance on Commercial Imagery to Reduce Costs

U.S. intelligence agencies are currently working with the commercial firms licensed under PDD-23 to ascertain the extent to which they will be able rely upon future commercial imaging systems to reduce the costs of imagery collection. Until the first commercial imaging system is launched in late 1997, it will be impossible to make a realistic assessment, but several points do appear clear:

- ◆ There is apt to be a wider range of imagery products available by the end of the decade, given the ability of industry to build lower cost satellite systems using off-the-shelf components in assembly-line fashion. While the quality of these products cannot, as yet, be determined, it appears their costs will be lower than the products derived from intelligence systems.
- ◆ U.S. firms contemplating entry into the market for commercial imaging systems will be driven by the potential profitability. Whether or not the U.S. Government is a customer will be a significant factor in their business decisions.
- ◆ Commercial imaging systems may be able to satisfy some requirements of the Government, but they will be nowhere near as capable of satisfying the wide range of requirements of existing intelligence systems.

The Commission believes that developments in the commercial satellite industry offer great promise. Commercial systems could affect the size and capabilities of future systems developed by the Intelligence Community; however, they will not obviate the need to maintain separate intelligence systems for the foreseeable future. Intelligence agencies should continue to assess the utility of commercial systems and to rely upon them where possible.

Reliance on Small Satellites to Reduce Costs

As stated earlier, the United States has for the most part chosen to build a small number of large, very capable satellites as opposed to more satellites that are smaller and less capable. Smaller satellites, some argue, would be cheaper to develop than existing systems, and their reduced weight would reduce launch costs significantly. Deploying a larger

number of small satellites also would provide more frequent revisit times and improved global coverage. On the other hand, a system of small satellites may have to devote a larger fraction of its weight to “housekeeping” functions as opposed to sensor capability. In short, it may be less capable.

In 1994, the issue of smaller satellites was considered, but the DCI and the Congress agreed to adhere basically to the longstanding approach. Their agreement on satellite architecture essentially dictated what types of satellites would be built and deployed into the next century. In 1995, however, largely at the initiative of the House Permanent Select Committee on Intelligence, the issue of small satellites was reopened. This action also prompted the Commission to explore the issue.

When small satellites were evaluated in the past, they were deemed technically feasible, but the expense of designing, procuring, launching, and operating them, as well as some inflexibility in their design, led some to believe that their use would result in a substantial degradation in the overall U.S. capability. The National Reconnaissance Office, in consultation with aerospace companies, is currently evaluating these issues. Some believe a system should be built to test the small satellite concept on the most technically challenging imagery mission, and that the potential cost savings (if the test is successful) would justify building the capability now. Others believe that building such a system would not be prudent until all of the estimates and technical studies are completed, and, more important, that investing in this option prematurely might preclude funding other research and development that offer greater promise.

The Commission concluded that it is premature to endorse greater reliance on small satellites as replacements for current highly-advanced reconnaissance systems. Whether small satellites would reduce costs is still an open question—a greater number of small satellites may not be cheaper. Whether they can accomplish the missions of the current larger systems also is not yet proven. The Commission recognizes the importance of pursuing this and other technological avenues to reduce the costs of satellite collection, but it is not persuaded that a clear case for small satellites as replacements for the current high-end systems has yet been made. (This is not to say that smaller and less expensive satellites should not be developed to form the second tier of the two-tier approach to space reconnaissance, recommended earlier in this chapter.)

The Management Arrangement for Space Activities

Two organizations within the Department of Defense manage space assets: the U.S. Space Command (SPACECOM) is responsible for so-called “white world” satellites (i.e., satellites that are publicly acknowledged) for military programs, and the National Reconnaissance Office (NRO) deals with “black world” (i.e., classified) satellites for intelligence programs. SPACECOM launches and operates satellites for military communication, weather and navigation, which are designed and procured by the military services. NRO designs, acquires, launches, and operates classified reconnaissance satellites.

By most accounts, the NRO has performed its core functions exceptionally well over the years, delivering a space-based reconnaissance capability that far exceeds any

other nation's. One challenge for the future, however, is to integrate that capability with other space-based systems for navigation, weather, and communications, to ensure they operate in concert and take advantage of economies of scale.

In this regard, the Commission on the Roles and Missions of the Armed Forces last year stated that “[a]n integrated space program using the best practices of the NRO, the services, and the civil and commercial sectors would result in lower acquisition and operational costs for space systems and improve responsiveness to all users.” That Commission further urged that the Secretary of Defense “integrate the management of military and intelligence space activities . . . [and] assign responsibility for developing an integrated architecture for military and intelligence space systems to a joint service office reporting to the Secretary.” The current DCI has espoused a similar view.

While few who spoke to the Commission took issue with the need to integrate military and intelligence space activities where possible, there was considerable controversy with respect to whether there should be one organization to manage these activities.

Some thought having separate managers for satellite systems was wasteful, regardless of the different roles that satellite systems play. Others noted that the systems operated by the NRO are far more complex and require significantly more interaction than those operated by SPACECOM. For this reason, the contractors who build NRO systems are responsible for maintaining them “from cradle to grave,” contributing substantially to mission quality and mission life.

A number of witnesses expressed concern that if NRO's operational responsibilities were merged with SPACECOM and if the NRO's acquisition role were joined with those of the military services, NRO would lose the advantage of the special procurement authorities of the Director of Central Intelligence. These authorities have contributed significantly to NRO's being able to act expeditiously and to adjust to developments that occur.

Critics of the NRO contend that its use of the DCI's special procurement authorities (which provide more flexibility than government agencies in general have to enter into sole source contracts) has eliminated any incentive to reduce costs and resulted in costly satellites being built that exceeded the real needs of the Community. They believe that merging the acquisition function with DoD “white world” space would introduce more checks and balances into the acquisition process and produce economies of scale.

To date, no decision has been made to combine the NRO's functions with those of the military services or with SPACECOM. Instead, the Secretary of Defense and the DCI appear to have adopted a less drastic, collaborative approach. Responsibility for space systems in each area has been consolidated on the Secretary's staff in a new Deputy Undersecretary for Space. In addition, a Joint Space Management Board was established by the Secretary and DCI in December 1995, to provide a mechanism to coordinate and integrate space activities.

The Commission endorses efforts by the Secretary of Defense and the DCI to achieve closer coordination and integration of space programs to save costs where possible. However, the Commission believes that the NRO should be preserved as a separate element of the Intelligence Community. Its authority to allocate resources for space

activities would be considerably limited if the Commission's recommendations, explained in Chapter 7, are adopted, but the basic responsibilities of the NRO for the research and development, acquisition, and operation of reconnaissance satellites remain valid. The ability of the NRO to utilize the DCI's special procurement authorities ought also to be preserved.

The Management Arrangements for Imagery

Imagery intelligence, or IMINT, refers to intelligence derived from images collected by electro-optical, infrared, and radar sensors. As an intelligence “discipline,” it involves coordinating the collection by the various capabilities of the Intelligence Community (including satellites, aircraft, unmanned aerial vehicles), processing and analyzing these images, and disseminating the results. Tasking of imagery satellites is performed by a single interagency committee. Interpretation and evaluation, on the other hand, are conducted at numerous elements and at many different locations. Dissemination involves multiple communications systems.

The need to improve the management of imagery became apparent in 1990-91 during Operation Desert Shield/Desert Storm, when dissemination systems that were not compatible prevented satellite imagery analyzed in Washington from being moved quickly to users in the field. In addition, the military's tactical assets for imagery collection proved inadequate to supplement national systems.

In response, a task force empaneled by former DCI Gates recommended in 1992 that a new agency be formed to manage all imagery collection, analysis, and dissemination—a “National Imagery Agency.” Gates and then Secretary of Defense Dick Cheney were unable to agree, however, on an organizational framework and authorities for the new agency. As a compromise, they created an office within DoD—the Central Imagery Office (CIO)—jointly staffed by CIA and DoD personnel, which had more limited functions and authorities. Most imagery elements of the Intelligence Community, including the largest imagery exploitation organization (CIA's National Photographic Interpretation Center) remained outside the new office, which had limited policy authority and no resource authority over outside elements. CIO did retain control of the tasking of imagery collectors, however, and made strides in setting standards and policy to govern imagery exploitation and dissemination.

In December 1995, the current DCI, Secretary of Defense and Chairman of the Joint Chiefs of Staff proposed the establishment of a new organization—the National Imagery and Mapping Agency (NIMA). As proposed, NIMA would be responsible for managing all aspects of national imagery and would be designated a “combat support agency” (responsible to the Chairman, JCS for the support to joint warfighting). In addition to subsuming the CIO, NIMA would encompass the Defense Mapping Agency (a principal user of imagery to make maps for military use), the National Photographic Interpretation Center of CIA, some imagery analysts from the Defense Intelligence Agency, and small elements from other DoD offices. Imagery analysts belonging to the military departments and Unified Commands would not be subsumed into the new agency, but would remain subject to the policies and standards promulgated by NIMA to govern imagery analysis and dissemination. The Director of the new agency would be a three-star general or flag officer

who would report jointly to the Secretary of Defense and the DCI. The views of Congress have been requested on the proposal; meanwhile, plans to begin operations at the new agency on October 1, 1996, are proceeding.

The Commission had extensively examined this issue prior to the recent announcement by the DCI, and, generally speaking, reached the same conclusion. Both national and military users should be better served by a national imagery agency providing streamlined management across the spectrum of tasking, processing, exploitation, and dissemination. Resource management for imagery has been dispersed and ineffective, resulting in certain critical functions being underfunded. There is also an immediate and pressing need to capitalize on emerging technologies to facilitate the analysis of imagery and ensure that it is disseminated in order to reach military combat elements in a timely and usable manner. A new agency that controls the allocation of resources for imagery should be better able to harness these new technologies to productive use.

Some have expressed concern that placing all the imagery capability of the Government within the Department of Defense will mean that non-Defense requirements will suffer. This concern is understandable, but the Commission believes it need not be a serious problem. In the SIGINT area, the National Security Agency, also an element of the Defense Department, has successfully met its national responsibilities over the years. Non-Defense users of imagery are represented on the body that tasks imagery satellites, and the dual reporting requirement of the director of the new agency is another safeguard.

Others have questioned the need for bringing the Defense Mapping Agency into the new organization, fearing that mapping—which is crucial for military operations and the targeting of precision weapons—will receive a lower priority if it is subsumed in a larger organization. Again, this concern is understandable, but the mapping function is dependent on the recovery of geospatial data from digital imagery, and mapping will constitute the largest single aspect of the new organization in terms of personnel and resources. It is unlikely to get short shrift.

While the Commission believes that NIMA is appropriately a combat support agency, it believes that latitude might be left for the Secretary of Defense to appoint a civilian or military officer as Director of the new agency. Aside from this point, the Commission strongly endorses the establishment of the new organization.

Management of Signals Intelligence

Pursuant to Executive order, the Secretary of Defense serves as executive agent of the U.S. Government for signals intelligence activities. The Director of the National Security Agency (NSA), an element of the Department of Defense, has overall responsibility for establishing and operating a “unified organization for signals intelligence activities” within the U.S. Government. He is responsible for collecting and processing signals intelligence to satisfy national requirements and priorities, as well as providing signals intelligence support to military operations. Signals intelligence activities are also carried out by elements of the military departments and, to a lesser extent, by the CIA.

In practice, NSA establishes the requirements for signals collection, tasks collectors, processes the incoming data, and communicates it to users. By all accounts, the management arrangements for signals intelligence have worked extremely well. (Because they have worked well, the Commission earlier recommended making the Director of the NSA “discipline manager” for all SIGINT resources within the National Foreign Intelligence Program.) In addition, the results of its efforts to fuse the operations of various collection systems hold the promise of achieving greater efficiencies from such systems in the future. NSA’s contributions continue to be cited by national policymakers and deployed military forces alike for being of immense value.

Nevertheless, the Commission heard concern regarding NSA’s ability to perform its mission with the same degree of success in the future. As noted in Chapter 9, personnel costs have reached the point where they have severely limited NSA’s ability to invest in research and development and to procure systems essential to its long-term technical needs. NSA itself is concerned that the present skill mix within its workforce is not well suited to integrating new developments in technology into the ongoing work of the agency.

Clearly, the demands and complexity of modern telecommunications technology require a continuing influx of new skills and a greater interaction with the private sector than NSA has experienced in the past. Where NSA once drove technological developments, these are now being driven by the commercial sector. NSA needs to apply these commercial off-the-shelf technologies to its business without engaging in duplicative research and development.

The Commission also heard concerns that broader use of encryption technologies, especially software encryption, and the commercial pressure to limit or end export controls on such encryption, constitute a serious threat to NSA’s ability to produce quality signals intelligence in the future. Another congressionally mandated commission, under the auspices of the National Academy of Sciences, is looking into these issues.

Evaluating the “technological health” of NSA exceeded the capability of this Commission. Nonetheless, it is important for NSA and for the Intelligence Community as a whole that an objective and systematic evaluation of this subject be undertaken in order to decide what personnel skills are needed, where research and development should be concentrated, and where investments should be made. The Commission is aware of a recent study of NSA’s research and development program requested by the congressional intelligence committees, but it did not cover all aspects of NSA’s technological health. The DCI should undertake a comprehensive review.

International Cooperation

WITHOUT question, the United States has the most capable intelligence apparatus of any country in the world. The information produced by this apparatus gives the United States a substantial advantage when it comes to understanding world events, predicting and preparing for unsettled times, fielding military forces, and making a host of other political and economic decisions. Inasmuch as this information is also useful to other countries and international organizations, it is not surprising that intelligence constitutes a substantial factor, and often a very positive one, in U.S. international cooperation.

Intelligence is especially important to U.S. bilateral relationships. Because few other countries possess technical intelligence capabilities on the scale of the United States and the costs of creating them are prohibitive for most, there are clear incentives for others to enter into cooperative relationships. Historically, the United States has been willing to reciprocate where it shares common interests and concerns. Even where the interests of the United States and another country do not entirely converge, intelligence has often supplied the “quid” for the other’s “quo.” For the most part, these relationships have proven mutually beneficial.

Information derived from intelligence also forms an important element of U.S. participation in international organizations, such as the United Nations. The United States frequently uses such information to alert organizations to impending crises or to motivate action in appropriate circumstances. When international bodies do act, for example by sending in peacekeeping forces or by imposing sanctions on a “rogue” state, the United States often provides information derived from intelligence to protect the forces or detect violations of sanctions.

Despite the importance of these bilateral and multilateral relationships, questions are frequently raised about the security and reciprocity of these arrangements. Will other governments and international organizations protect information provided by the United States? Are foreign partners pulling their share of the load and is the United States benefiting sufficiently in return?

Scope of the Inquiry

As part of its statutory charter, the Commission was asked to review and to assess the cooperative relationships that the United States has in the intelligence area. To accomplish this, the Commission reviewed the size and scope of these relationships with the staff of the DCI, who is legally responsible for the coordination of U.S. intelligence relationships with other countries. The Commission also reviewed how information derived from intelligence is shared with multinational organizations.

Additional information was obtained in the course of several visits made by members of the Commission to certain foreign countries with which the United States has intelligence relationships, some dating back to the Second World War. At each location, the

Commission explored the nature and extent of the cooperative arrangements and received briefings on each nation's organizational structure for intelligence as well as how their intelligence activities generally were conducted. Each of the governments visited was candid and accommodating.

Cooperative Relationships With Other Countries

Existing Relationships in General

Bilateral cooperation almost always involves sharing of intelligence information and analysis on topics of mutual interest. Beyond this, cooperative arrangements may take any of several forms:

- ◆ another country may agree to undertake collection and/or analysis in one area and share it with the U.S. in return for the U.S.'s reciprocating in another area;
- ◆ another country may permit the U.S. to use its territory for collection operations in return for the U.S.'s sharing the results of such collection;
- ◆ the U.S. may help another country acquire a collection capability for its own purposes with the understanding that the U.S. will be permitted to share in the results;
- ◆ joint collection operations may be undertaken with U.S. intelligence officers working side-by-side with their foreign counterparts;
- ◆ exchanges of analysts or technicians between the U.S. and other services may occur; or
- ◆ the U.S. may provide training in return for services rendered by the foreign service, e.g. translations of particular foreign languages, where a foreign service brings unique skills to the endeavor.

In general, the Commission found that the United States is deriving great benefit from these cooperative relationships. Although other countries are not always able to bring to the table technical capabilities to match those of the United States, they reciprocate in other ways. In some cases, they provide geographic access that would not otherwise be available. In others, they provide skills and expertise the U.S. would otherwise have to develop. In a few cases, other governments have financed capabilities that have spared U.S. taxpayers considerable costs. By and large, these relationships have remained confidential.

In those countries visited, the Commission found uniformly that these countries were extremely conscious of the need to "pull their share of the load" within the limits of their respective resources. Most of these nations have smaller populations, a smaller tax base, and a smaller military. Generally, compared to the United States, they have a smaller role in world affairs and worry principally about threats closer to home. While a few actually

spend a greater percentage of their defense budget on intelligence than does the United States, it is unreasonable for the United States to expect quantitative comparability in these relationships. Quite apart from the access and capabilities they provide, there is great benefit for this country in having close and enduring friends who can be counted upon in times of trouble. Intelligence provides tangible “cement” for these security relationships.

The Commission notes, nevertheless, that bilateral relationships can be problematic. U.S. intelligence maintains liaison relationships with countries all over the world. At times, these necessarily involve relationships with governments or individuals that do not measure up to our moral or ethical standards. Such relationships may, nonetheless, benefit the United States by providing valuable information that serves broader U.S. national security interests. In addition, liaison relationships provide insight into the activities of other intelligence services, as well as provide important contacts that may be essential to the ability of the United States to influence events during a crisis.

By maintaining relationships with such governments or individuals, however, U.S. intelligence agencies risk becoming associated with their misdeeds. There are no easy answers for these situations. Obviously, where such concerns are present, the intelligence liaison relationship must be carefully and frequently assessed by senior policymakers to ensure that the benefits of the relationship outweigh the inherent risks in the continuing association. But even where this balancing of interests occurs, problems may still arise beyond the ability of U.S. intelligence agencies to control.

Cooperation With Multinational Organizations

The interests of the United States are being increasingly affected by the actions of multinational organizations. It seems more likely than not that the United States will conduct future military operations within a multinational framework or as part of a multilateral coalition. In addition, there are a range of activities undertaken by multinational bodies—from peacekeeping operations to enforcing internationally imposed sanctions to dealing with humanitarian crises—which either involve U.S. military or civilian personnel directly, or where the United States has a strong interest in seeing the activity succeed. To the extent that the United States has information important to the success of these activities, it is in the interest of the U.S. to find a way to share it.

Historically, the United States has been able to share intelligence or information derived from intelligence successfully in a coalition environment. For example, intelligence has been shared with NATO member countries for many years on a classified basis, albeit within established limits. Moreover, when multinational coalitions have been formed to achieve specific military objectives, for example, during the Persian Gulf War, the United States out of necessity developed arrangements for sharing pertinent intelligence with coalition forces.

Sharing information with the United Nations has been more tentative and limited due to the nature of the organization itself (which includes countries whose interests are perceived as inimical to those of the United States) and to the lack of any effective system at the UN to control information provided by member nations. Still, the UN must rely entirely on the information provided by member nations to support its operations. It

has no capability of its own to collect or to analyze information. While the United States presently provides the majority of the information that the UN receives in support of its operations, this support remains relatively limited. Other nations reportedly contribute very little.

In general, the Commission believes the United States should use its broad experience in intelligence matters to arrange for appropriate information support to multinational bodies as well as international coalitions, where important interests of the United States are at stake. The Commission is persuaded that this can be accomplished without jeopardizing the security of U.S. intelligence activities. It may require “sanitizing” information produced by intelligence agencies to ensure protection of sources or methods and/or limiting this sanitized information to particular topics or operational activities. These actions do place extra burdens on U.S. intelligence agencies to assess the particular needs of foreign recipients, to create “sanitized” versions of their reports, and to set up separate dissemination channels and/or communication systems for the foreign recipients. But, in the Commission’s view, it is essential that the effort be made. Good information support is ordinarily critical to the success of any multilateral or coalition operation in which the U.S. is involved and, as a practical matter, the United States may be best positioned to take a leadership role.

In providing such support, U.S. intelligence agencies ordinarily should not deal directly with multinational organizations or coalitions, but rather should work through other elements of the U.S. Government (e.g. the Department of State for diplomatic actions, appropriate military channels for military coalitions). The U.S. agency charged with overall responsibility for the relationship with the multinational organization or coalition being supported will usually be in the best position to understand the needs of the recipients and balance risk versus gain.

The Commission’s impression is that the arrangements for information support to multinational organizations or coalitions are often constructed and tailored to meet particular situations. While a certain amount of tailoring will inevitably be needed for each organization or coalition supported, new policies, procedures and capabilities (e.g. communications systems) should be developed to provide the standard means and methods for providing support in a multinational environment, similar to those in existence with NATO. Deviations could be authorized as appropriate.

12-1. The Commission recommends that the DCI and the Secretaries of State and Defense jointly develop a strategy that sets forth the policies, procedures, and capabilities that will normally serve as the basis for sharing information derived from intelligence in a multinational environment as well as how deviations from these policies, procedures, or capabilities may be authorized. To achieve maximum effectiveness, this strategy should build upon the extensive set of bilateral and multi-lateral relationships already maintained by the United States.

The Cost of Intelligence

VISCERALLY, in the wake of the Cold War, many Americans believe the costs of intelligence should go down. Indeed, since 1989, the resources allocated to intelligence have gone down—by about 21 percent in real terms—but, nonetheless, they remain substantial. Budget projections show spending for intelligence holding relatively constant in real terms through the rest of the decade. Reflecting a sense of unease, Congress asked this Commission to determine “... whether the existing levels of resources allocated for intelligence collection and intelligence analysis are seriously at variance with United States needs. ...”

To answer this question, the Commission undertook an extensive review of the intelligence budget and analyzed the changes to that budget since 1980. In doing so, the Commission attempted to ascertain what basis, if any, had been used over time to arrive at the resource level for intelligence. Was there a discernable standard or criteria that might help those responsible for resource allocations in the future to determine how much intelligence is enough?

Recognizing that pressure to reduce spending is apt to continue, the Commission attempted to assess whether and how the costs of the existing intelligence capability could be reduced without damaging the nation’s security.

The Recent History of Intelligence Funding, in Brief

In recent decades, intelligence funding has been treated preferentially when compared to other parts of the Defense budget. As Figure 1 illustrates, non-intelligence defense funding in real (constant dollar) terms grew by 40 percent from 1980 to 1986, leveled off, and then declined to its current level, four percent below its 1980 level. In contrast, total intelligence funding grew by 125 percent in real (constant dollar) terms from 1980 to 1989 but declined thereafter to its current level of 80 percent above 1980. Reductions taken in the intelligence budget since 1989 have been at a rate to allow the intelligence agencies to continue most of their basic activities. Each agency has taken its share of the reduction from 1989, but no major structural change was required.

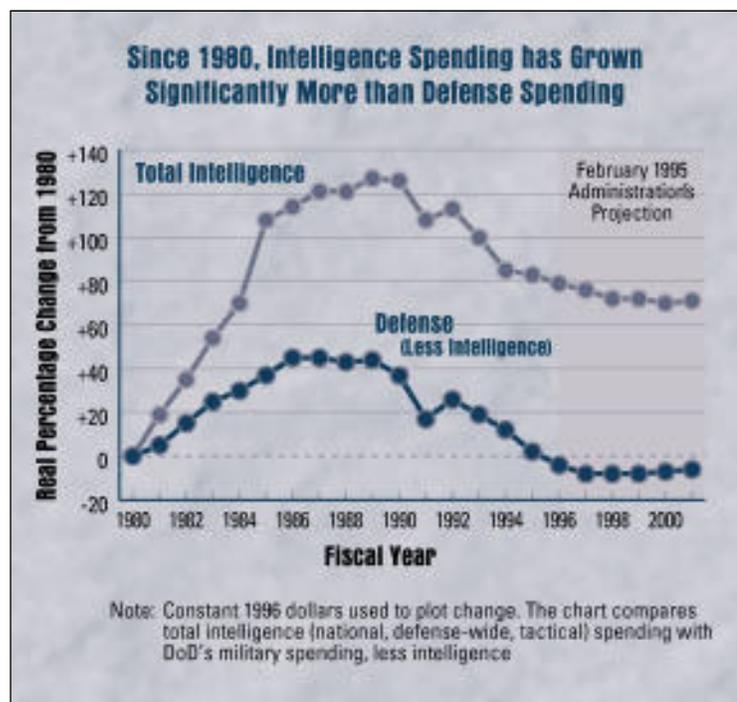


Figure 13:1

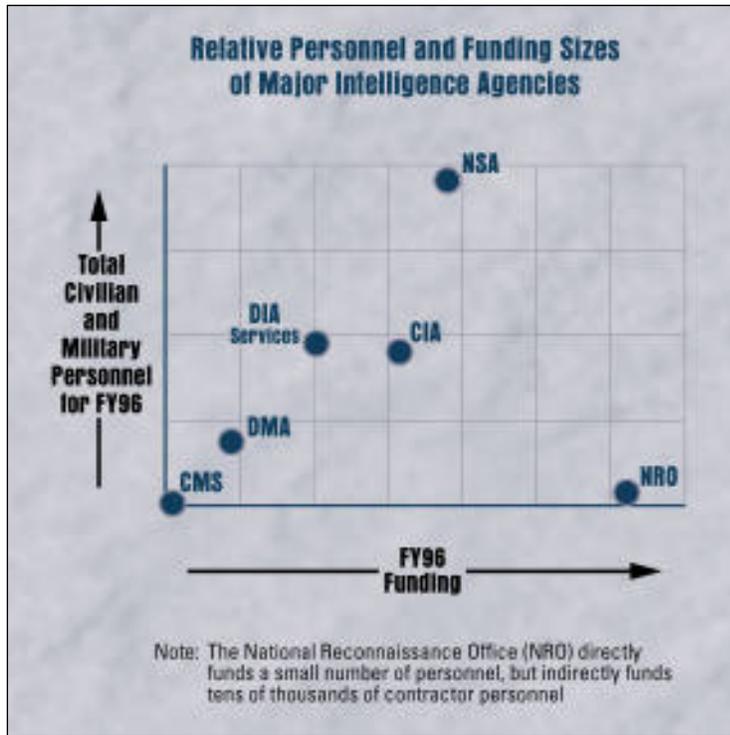


Figure 13:2

Personnel strength at NSA, CIA, and DIA has also remained significantly above the 1980 level despite across-the-board reductions over the last four years. NSA is 22 percent above its 1980 level; CIA, 8 percent; and DIA, 80 percent, primarily because DIA assumed major new functions which involved the transfer of additional personnel. In 1991, Congress in concert with the Bush Administration imposed a 17.5 percent across-the-board reduction in intelligence personnel to be accomplished between 1991 and 1997. This is less than 3 percent per year and has already largely been accomplished through attrition. This agreement had the Intelligence Community already on track when President Clinton directed

that overall government personnel be reduced by 12 percent from 1993 to 1997, or about 3 percent per year. The Community has, in fact, extended these reductions through 2001, resulting in an anticipated total reduction from 1991 to 2001 of about 24 percent. This pace of reduction is consistent with the level of reductions that the President has directed for non-intelligence agencies.

Although intelligence funding remains classified, Figure 2 depicts the relative funding levels of the major intelligence agencies and their personnel levels for FY 1996. NSA, CIA, and DIA (and the Service intelligence units) have the largest number of personnel; the NRO, on the other hand, has the highest level of funding of any program in the Community, but virtually no federal workforce. Its work is accomplished primarily by contractors in the private sector.

The Community Management Staff (CMS) is the small staff of the DCI used to assist in the execution of his Community functions.

What Conclusions Can Be Drawn from Recent Experience?

In general, from 1980 until the present, intelligence grew at a faster rate than defense when defense spending was going up and decreased at a slower rate when defense spending was going down. As a result, intelligence funding is now at a level 80 percent above where it was in 1980, while defense overall (other than intelligence) is now 4 percent below its 1980 level.

Because the Secretary of Defense in consultation with the Director of Central Intelligence has largely determined¹ the size of the annual budget for intelligence vis-à-vis the remainder of the defense budget, one conclusion that might be drawn is that successive Secretaries since 1980 have believed that intelligence should be funded at a somewhat higher rate than defense (regardless of the rate of increase or decrease for defense as a whole). Based upon the Commission's interviews, it appears that, in practice, most Secretaries have begun with the amount appropriated for intelligence the previous year, taken into account whether the overall defense number is increasing or decreasing, examined the additional initiatives needed for intelligence, and arrived at a somewhat preferential number for intelligence spending. Compounded over a period of years, this practice has led to the relatively large disparity between where intelligence is now funded, relative to its 1980 level, as compared with where defense spending other than intelligence is now funded relative to its 1980 level.

The Commission does not conclude the practice followed by successive Secretaries of Defense is necessarily right or wrong, but only that it has been the case. Nor does the Commission conclude that the wide disparity between intelligence spending and defense spending, relative to their 1980 levels, necessarily means that intelligence spending should be cut. But what, then, should be used to gauge the level of spending for intelligence?

The Commission struggled to find a substantive standard or criteria that might serve as a basis for answering this question. Some suggested that the spending level for intelligence should be what is needed to support the military operational requirements of a particular Administration, e.g. the "two major regional conflicts" strategy of the current Administration, and all other intelligence needs should be met by the same intelligence capabilities. The capabilities needed to support military operations, however, will not satisfy all intelligence needs. For example, the President and other users (including defense officials) rely on information produced by intelligence capabilities that are not principally used to support military operations, e.g., HUMINT, some imagery, and some signals intelligence activities. Moreover, the operational needs of the military provide no real limits to intelligence spending. As military commanders seek to win battles while minimizing casualties by knowing where the enemy is at all times—what the Pentagon has been referring to as "dominant battlespace awareness"—the need for intelligence grows exponentially. The costs of collecting signals and imagery intelligence from satellites, processing it at ground stations, and transmitting it to foxholes, tanks and aircraft in the "battlespace," all in a matter of seconds, are potentially unlimited and, regardless of how much capability is available, it may never provide total coverage.²

The Commission found it is equally difficult to assess the overall resource level for intelligence based upon the perception of the "threat" at any given point in time. If one target is no longer considered a "threat," intelligence collectors usually can be moved to

¹ Congress annually makes adjustments to the President's budget request.

² There is, in fact, a process within DoD for trading off intelligence expenditures needed for the support of military operations against non-intelligence expenditures needed to support military operations within the overall limits of the DoD budget. Support to military operations does provide, in any case, the principal justification for the overall level of expenditure for intelligence within DoD.

others that are. Indeed, since intelligence collection capabilities, both human and technical, take years to deploy once resources for them have been provided, they are designed to be flexible in order to adapt to new needs.

Ultimately, the Commission concluded that developing a precise criterion for measuring the right level of intelligence resources would inevitably be too simplistic and perhaps unwise. The reality, as for many functions of government, is that intelligence capabilities are determined by whatever the nation chooses to spend on them, not by some rigorous calculation which attempts to precisely balance threats against capabilities. Like the conduct of diplomacy, controlling commercial air traffic, monitoring weather, or defending our borders, there is always more that could be done. Unlike the precision that the government can attach to the cost of delivering a letter, or printing and delivering a Social Security check, there is no precise means to determine how much the nation should spend on intelligence. Just as with other aspects of our national security, determining the appropriate level for intelligence funding requires an assessment of various criteria such as foreign threats and the advantages a particular capability can provide against such threats. These must then be weighed against what the nation can afford, given other government spending requirements and priorities.

In any event, how much the nation can afford to spend on intelligence has been and will continue to be constrained. While the need for such capabilities is compelling, so too is the need to reduce Government spending. Over the next decade, there is likely to be strong and persistent pressure to reduce the costs of Government across the board. Given the fact that the President and the Congress have now agreed in principle to balance the federal budget by the year 2002, deficit reduction casts a particularly long shadow over future intelligence investments. Though the calculations thus far agreed upon for balancing the budget assume that defense spending is capped and intelligence funding remains flat within this cap, changes in the economy or other spending priorities could re-open the debate on the level of spending for defense and hence impact intelligence. Therefore, reducing intelligence funding due to external pressures may be unavoidable in the long run. Furthermore, internal Defense Department pressures to reduce intelligence are also growing as the military services vie for funds to modernize their forces, maintain current levels of readiness, and pay for an increasing number of peacekeeping missions. Even within the existing cap for intelligence in the projected budget, there will be pressures to hold costs down in some areas and increase them in others.

What Needs to be Done

In view of these pressures, it behooves those with responsibility for intelligence resources to begin planning how such resources might be further reduced and/or reallocated to meet future intelligence requirements. Unfortunately, while the Commission found evidence of such planning in a few agencies, most intelligence agencies seemed to lack a resource strategy apart from what is reflected in the President's current six-year budget projection. Indeed, until the Intelligence Community reforms its budget process, it is poorly positioned to implement such strategies. The Commission's recommended actions to improve the budget process, set forth in Chapter 7, are thus a necessary first step

towards more rational resource planning. The Commission also believes that certain of its other recommendations, if implemented, would produce costs savings:

- ◆ The one-time personnel authority outlined in Chapter 9 to “rightsize” to meet the needs of the Intelligence Community could save an estimated \$2-3 billion in personnel costs over a ten-year period.
- ◆ The infrastructure costs associated with maintaining the existing level of personnel (e.g. buildings, communications, recruitment, security, training) could also be reduced, as noted in Chapter 9.
- ◆ Increased international cooperation in space reconnaissance, as recommended in Chapter 11, could, in time, also achieve savings.

In addition, there are a number of developments external to the Intelligence Community which offer promise of cost reductions:

- ◆ Aggressive implementation of the acquisition reforms recommended by the Defense Science Board would reduce the burden on industry and government of excessive red-tape and unnecessary oversight, and should reduce the costs of contract administration for most DoD intelligence components;
- ◆ Capabilities under development in the private sector, such as commercial imaging systems, might prove sufficiently reliable that intelligence capabilities could be reduced; and
- ◆ Potential savings could also stem from greater use of commercial technology for intelligence purposes, such as using commercial communication systems to disseminate intelligence to consumers around the world.

The Commission also explored the feasibility of reducing costs by allowing intelligence agencies to charge their consumer departments and agencies for the support they receive. Many witnesses pointed out that intelligence is a “free good” to most departments and agencies. Whether the support provided by intelligence is a map for a State Department analyst, an intelligence report on the economic conditions in a particular country for a Treasury analyst, or imagery necessary for precisely targeting Air Force cruise missiles, the cost of producing these intelligence products is free to the user. Because it is free, the appetite of consumers is essentially insatiable and undisciplined. Consumers who appeared before the Commission conceded that if they had to pay for intelligence support out of their agency budgets, they would, in fact, be more judicious in the number and type of requests they levied.

While charging for intelligence support may, indeed, bring greater discipline to the system, the Commission found many practical difficulties in implementing such a system. One is assigning cost to intelligence support. How does one assign a monetary value to an intelligence analysis, or a map, or a photograph? Another is providing intelligence support to departments and agencies who need it but have not asked for it. What do intelligence agencies do when they have crucial information for a particular department or agency, but the customer agency has used up its annual allocation for intelligence support? How

would such a system be administered? Would each intelligence producer keep its own accounts? Would departments and agencies who were delinquent in their payments have their intelligence spigots turned off?

The Commission concluded that the benefits of bringing greater discipline to the current system by permitting intelligence agencies to charge for their services were far outweighed by the difficulties apparent in implementing such a proposal.

The Commission did, however, make one additional effort to assess intelligence costs by undertaking a review of the projected budget for intelligence from FY 1996-2001 in order to ascertain whether there appeared to be intelligence programs that were duplicative or providing marginal value. The conclusions of this review are set forth in the next section.

The Commission's Budget Review

The purpose of the Commission's review was to determine whether there were existing intelligence capabilities, developed during the Cold War, which appeared to be duplicative of each other or of other government capabilities, or which otherwise provided capability excess to the country's needs in the post-Cold War era. The intent of this review was not to arrive at recommendations for cuts to specific programs, but rather to judge whether such problems were apparent, and, if so, to what extent.

To perform this review, the Commission's staff organized the President's FY 1996 to FY 2001 budget for national and tactical intelligence programs into seven "business areas:" 1) signals collection and processing, 2) imagery collection and processing, 3) human source collection and processing, 4) measurement and signature collection and processing, 5) production and analysis of intelligence products, 6) multidisciplinary intelligence (those programs that contribute to multiple intelligence disciplines), and 7) intelligence infrastructure (buildings, support staffs, telecommunications, etc.). All intelligence programs and activities funded by the National Foreign Intelligence Program, the Joint Military Intelligence Program, and the Tactical Intelligence and Related Activities aggregation were included.

Within each of the business areas identified above, further divisions were made to identify the end use, target, or ultimate purpose of the expenditure. For example, the business area of "imagery collection and processing" was divided into three further categories: 1) imagery of the battlefield; 2) imagery for indications and warning intelligence, science and technological developments, and other needs; and 3) imagery management and dissemination. The purpose of this approach was to align expenditures for intelligence programs with their ultimate purpose or target in order to make informed decisions concerning possible duplication or excess capability.

Ultimately, the Commission staff assessed the contributions made by each intelligence program or activity with respect to each of the selected end uses or targets, and judged whether the programs were appropriate given the end of the Cold War, whether they duplicated other programs, and whether they provided excessive capability. These

were necessarily subjective judgments based upon the staff's appreciation of the Government's need and what the respective programs and activities contributed in particular areas.

The Commission nonetheless believes the staff's review demonstrated that reductions to the existing and planned intelligence resources may be possible without damaging the nation's security. Indeed, finding such reductions is critical if funds are to be found for the investments in intelligence capabilities that the nation will need in the future, capabilities that are not now funded in the proposed program and budget. Precisely where such reductions should be made and at what level are judgments which the Commission is not in a position to make. Nonetheless, it is clear a more rigorous analysis of the resources budgeted for intelligence is required. In the Commission's view, this analysis should be performed jointly by the DCI, the Secretary of Defense, and the Director, OMB. It should span all three sources of intelligence funding (NFIP, JMIP, and TIARA) and assess the total U.S. intelligence capability against particular targets or types of targets.

In sum, the Commission believes cost savings can be achieved if the Intelligence Community adopts the management practices and implements the cooperative arrangements summarized earlier in this chapter. Those actions, together with pruning unnecessary requirements and unproductive systems and activities, could free significant resources. At the same time, the Commission recognizes that its proposed reforms to the budget review process could result in the identification of shortfalls between programmed resources and needed capabilities, or identify areas where new developments and investments are needed but are not now programmed. This might require the expenditure of most, perhaps all, of the funds freed up by cost saving measures. The Commission itself is not in a position to make this assessment.

