

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

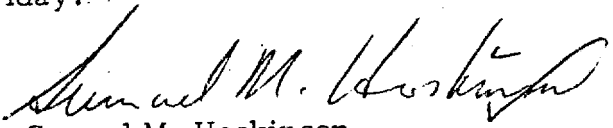
May 3, 1977

MEMORANDUM FOR: DAVID MCGIFFERT
W. BOWMAN CUTTER
HAROLD SAUNDERS
JOHN HARMON
JAMES TAYLOR

SUBJECT: PRM/NSC-11, Section 3

Attached for your consideration are the initial inputs completed by the drafting team. They have not been edited yet into a uniform format but they do represent the distillation of lengthy discussion by the drafting team. The remaining inputs to the first two sections of the approved outline will be forwarded soon, hopefully in time for discussion at Friday afternoon's Section 3 Working Group meeting (White House Situation Room, 3 p.m.).

Time marches and we plan to get into the options for reorganization next week. It would, therefore, be most helpful to have at least your preliminary views on this topic on Friday.



Samuel M. Hoskinson
Chairman

PRM/NSC-11, Section 3 Drafting Team

Attachment

cc: Latimer
Inman

Donahue
Bader

25X1

3 May 1977

PRM/NSC-11, Section 1

I. Objectives of US Foreign Intelligence

25X1 American foreign intelligence is a complex and costly [redacted] information service operated by the Executive Branch of the United States Government to support its conduct of foreign and national security affairs. As a formal activity of government, intelligence is distinguished by:

- a. Concentration on the information needs of official decisionmakers;
- b. Systematic collection, by human and technical means, of information that other governments try to keep secret;
- c. Evaluation of all information, including that from public sources, available to the US Government;
- d. Dissemination of resulting data and judgments to those who need them;

* National Foreign Intelligence Program (NFIP) and Intelligence Related Activities

e. Disciplined efforts to keep secret that information about its operations and results of the disclosure of which would undermine intelligence effectiveness and national security.

US intelligence is unique in the world for the extraordinary range and variety of organizations and activities that constitute its consumership. The President is the most senior consumer of US intelligence. He receives and uses intelligence directly. More important, he is the chief executive of a large hierarchy of intelligence-using organizations. US intelligence must serve all elements of the US foreign policy and national security establishment in the Executive Branch, mainly the Office of the President, the Departments of State, Defense, Treasury, and the Arms Control and Disarmament Agency. To a lesser degree, it also serves all other elements of government with foreign affairs concerns. Congress has long been and is increasingly important as a consumer of intelligence. The US public indirectly derives much of its information, especially on closed societies, from intelligence. Officially cleared contractor organizations supporting foreign and defense policy efforts draw on intelligence. Through various permanent or temporary arrangements, friendly foreign governments also receive some US intelligence products. The Intelligence Community itself consumes intelligence, stores it

for the future or exploits it to guide operational or developmental decisions.

Within the core of the US national security establishment in the executive departments, consumers of intelligence exist at all levels. They include:

- a. The President, the National Security Council, Cabinet, and sub-Cabinet officials;
- b. Departmental planners of foreign, economic, arms control, force structure, strategic, and R&D policy.
- c. Operational planners of political, economic, and military actions.
- d. Field planners and executors of policy and operations.

Washington consumers dominate the constituency of US intelligence. But there are many consumers who count outside Washington. Like intelligence assets themselves, military commands and diplomatic missions that use intelligence are distributed around the world. Important military consumers of intelligence, for example, commands and training facilities, are distributed around the US.

The essential mission of US intelligence is to deliver high quality information and judgments on foreign developments of enormous variety to this multiplicity of consumers.

Achieving each of the hallmarks of quality presents US intelligence today with serious challenges.

a. Intelligence information must be accurate. Beyond sorting out the pervasive background noise of world affairs that confronts any observer, this means intelligence must penetrate the secrecy barriers erected by skillful opponents.

b. Intelligence must cover needs that are very extensive. As a global power, US interests and, hence, information needs lack readily defined limits. Some argue that US intelligence needs should be expected to shrink as US commitments and involvement around the world are reduced. But the contrary effect appears to be occurring: as US unilateral power to shape world events is reduced relative to that of others, US needs for information to refine its interests, commitments, and forces appear to expand as policy devices become more difficult. This presents US intelligence with thinly spread resources and the requirement to focus its attention more skillfully.

c. US intelligence must be responsive in two senses. It must be relevant to the real needs of US decisionmakers. It must not only be about the

problems that concern them; it must help them make decisions. This requires a close dialogue between intelligence suppliers and consumers that proves in practice very hard to achieve. It must also be timely, a condition that may be measured in months or years for some problems, or minutes for others, particularly where support to commanders of military forces is involved.

d. US intelligence must be analytically penetrating and sophisticated. In theory, there is an unbroken continuum between "facts" that an agent or inanimate sensor can collect and report as intelligence, and weighty policy judgments that political, military, and other national leaders must make. Intelligence could be asked to supply "just the facts," and leave to the statesman or general the task of integrating and analyzing the facts as part of the process of policy choice. But US intelligence has long been required to move beyond the raw data it collects to grapple with judgments that are not too distant from policy choice. For example, "What are Soviet strategic objectives?" or "What is the future of Black Africa?" are issues typical of those on the intelligence docket.

This requires that intelligence must have high-quality talent and organizational structures for demanding research and analysis to support intelligence production.

e. Finally, intelligence must be candid, objective, and unbiased by policy preference. It must supply the decisionmaker with information and judgments he ought to hear, including those he may not want to hear. Where large hierarchical organizations are involved, this demand is obviously not easy to square with the imperatives of responsiveness to decisionmakers' needs and of analytic sophistication on subtle or subjective issues. It also means that where intelligence is serving well, it must face some dissatisfaction from customers that dislike its findings.

It is possible to adduce a number of general principles that should govern the management and operations of a US Intelligence Community intended to supply the kind of high-quality intelligence service described above and to meet other important criteria governing its functions, namely, that it be efficient or generally cost-effective, and that its operations be consistent with US legal and political standards. Some of these principles relate to the organizational structure of the Community, others to the style of management and oversight.

1. Diversified Service

The Community must be structured and managed so as to provide responsive intelligence support to the wide diversity of consuming organizations at many levels. This means that many consuming organizations must have their own intelligence production entities who know and can respond to their unique needs. In addition, consuming organizations must have means of tasking or influencing the current activities of the Community as a whole, in production and collection. They must also have some means to influence the longer-range programming decisions of intelligence that create capabilities for the future. In principle, then, there must be numerous entry points for statements of need and numerous exit points for delivery of intelligence services, however the Intelligence Community is structured.

2. Pooling Information and Collaborating in Judgment

The post-war intelligence system of the US grew out of the need to assure communication among intelligence elements the lack of which was perceived to have permitted surprise at Pearl Harbor. It is a long accepted principle that US intelligence must be so structured that, within the limits of sound security and reasonable divisions of labor, the

entire system must be able to share data and judgment within itself and, on major issues, to collaborate in disciplined agreement or disagreement. This is a process that can always be improved and must take place, whatever the Community's structure.

3. An Independent Source of Judgment

Another well established principle of US intelligence management is that there must be at the center of the Community an entity capable of pulling together the data and judgments of other entities, but sufficiently strong and independent of the policy process to offer intelligence judgments that are to a maximum extent possible uncolored by policy preferences that may influence the judgments of departmentally based entities.

Taken together, these three features of intelligence production structure -- diversity, pooling, and collaborating, and a policy-independent source -- afford a system of checks and balances required for effective intelligence performance over the long term on issues requiring debate and judgment.

4. Readiness for War

It is increasingly apparent that, while devoted to assist in the maintenance of peace, US intelligence must be capable

of supporting the conduct of war with the minimum of disruptive transition. This capability must be appropriate to a range of possible conflict situations from those like Vietnam to a major central conflict with the USSR. In the modern world intelligence structures cannot count on a protracted period for adjustment to the needs of conflict support, be they national entities or tactical elements organic to military forces. This is particularly pertinent with regard to unique national intelligence assets with wide coverage, such as reconnaissance satellites.

5. Efficient Resource Management

US intelligence must be managed so as to provide the most effective service at reasonable cost. Given the lack of comprehensive "sufficiency" or "value" criteria for intelligence, this is very difficult to accomplish in a systematic and measurable way. Approximating the ideal and elusive standard of cost-effectiveness for intelligence requires careful structuring of authorities and decision processes that govern the use of current resources and the assembly of resources for the future.

- a. Resource allocation means choices and trade-offs. It must be decided what resources should compete against what other resources.

Some intelligence resources should clearly compete against other intelligence resources under a central system. Some intelligence should compete directly against non-intelligence activities, such as combat forces. At higher levels, the President and Congress must balance intelligence against national security outlays as a whole and the total federal budget. Rational resource allocation means building a framework with the right attention span, competitive participants, and incentives for rational choice.

b. Because intelligence is a highly diversified service function, no single central authority acting alone can know enough about what is needed to make effective resource decisions. There must be reliable means for those served by intelligence -- its constituency -- to state their needs to and bring influence upon the intelligence resource management system.

c. At the same time, there must be sufficient centralizing authority to force painful choice where it is needed on a rational basis, to compel programs to be justified on the basis of their ultimate contribution to intelligence product, and to preclude resource allocation purely on the basis of organizational ownership and clout. The decisionmaking power

of this central authority must be commensurate with the responsibility it has to assure efficient resource allocations. Three levels of decisionmaking power can be brought to bear on intelligence resources:

- (1) power to define goals, requirements, and priorities;
- (2) power to allocate funds;
- (3) line management control over personnel, actual operations, and support activities.

For some intelligence activities of national character, all of the above powers might be rationally centralized. For others, central authority might effect adequate efficiencies through the first and second levels of power. For yet others, decentralized resource allocation authority outside of intelligence is appropriate. Power to define goals, requirements, and priorities and power to allocate funds can be exercised with collegial advice or after collegial decision.

6. Safeguards Against Abuse in Balance with Security

Many intelligence activities are secretive of necessity and occur at the edge of interstate conflict, where governments have always assumed extraordinary powers. This makes such activities susceptible to abuses more grave than

corruption or misuse of authority that any public or private enterprise must protect against. Intelligence abuses, like military or police abuses, carry the potential of subverting constitutional principles and basic individual rights.

Prevention of such abuses requires:

a. A viable system of laws and regulations that defines the limits of proper intelligence activities and a viable secrecy regime to assure its effectiveness.

b. A set of oversight mechanisms within and outside intelligence that places responsibility for prevention of abuse in the hands of a few duly constituted and informed officials and popular representatives.

c. Clear lines of authority over and responsibility for intelligence activities.

d. Strong leadership from the President and all intelligence managers in cultivating professional ethics among all engaged in intelligence activities, upon which prevention of abuse ultimately must rest.

* * *

Decisions on the principles and structures that govern the management of US intelligence must be made against the expectation that the next generation will be more difficult

for the United States in many respects than the generation past. US relative power in the world has diminished; that of major adversaries has grown. Although US commitments have been adjusted, US current and potential interests have not diminished. They remain global, and an increasingly complex and interdependent international environment has made them more ramified. The international environment remains volatile and rich in potential for violence. Meanwhile, urgent domestic business constrains what can be allocated to traditional goals of national security, including intelligence.

But the burden on US intelligence necessarily grows. At a minimum, bearing that burden adequately requires a strong framework that can endure for a considerable period, adjust to changing needs, and allow the intelligence business of the nation to proceed with reasonable confidence after the turmoil of recent years.

SECRET

Production of National Intelligence

In recent years all serious reviews of the performance of the Intelligence Community have identified national intelligence production (analytic reporting) to be a major problem area. In fact it has almost become "conventional wisdom" that national intelligence production fails to provide the President, the NSC and other senior policymakers with the high quality intelligence analysis and judgments they require. This situation is of great concern because as the Church Committee report so aptly stated: "The production of finished intelligence is a principal purpose of all U.S. intelligence activities; neglect of it is unacceptable for the future."

Beyond sweeping indictments, it is much more difficult to be precise in defining the national intelligence production problem. In part, this is true because the consumers are frequently not sure of their own requirements and often react in a negative way to analysis that does not fit their own preconceptions or necessarily support assumptions underlying hard fought policy decisions. But the problem is also much deeper than this and does seem to reflect some genuine shortcomings in performance as well.

The most authoritative review of this problem was produced last year for the NSC by the Intelligence Community Staff*. It found that in

*Semiannual NSC Intelligence Review: An Assessment of National Foreign Intelligence Production, December 1976.

SECRET

SECRET

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

the eyes of its users, the products of the Intelligence Community are "uneven, a mixture of demonstrable strengths and significant weaknesses."

In summary, the most important specific findings of this study were:

- An increasing diversity and sophistication in the demands of an expanding community of users.
- Inadequate Intelligence Community understanding of the needs of various sets of users and of priorities among these needs.
- General user satisfaction with current, short-term reporting on most topics and geographic regions, but a serious deficiency in anticipatory analysis which alerts policy components to possible problems in the relatively near future (one to three years).
- User desire for more multi-disciplinary analyses which integrate political, economic, technological and military factors to provide a broad appraisal of issues and events for developing US policies and programs.
- User discontent with NIEs and interagency products, especially regarding their utility, and relevance to policy issues.
- Problems in the Community's ability for early recognition of impending crises, in integration of intelligence with information on US political and military actions; and in the definition of responsibilities of the DCI and other Government officials concerned with warning and crisis information.
- User concern about what they view as unnecessary compartmentation of many intelligence products.

-2-

SECRET

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

SECRET

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

The causes for this uneven record are many, but the critical aspects appear to derive from certain systemic problems:

1. Demands and Resources

The numbers of intelligence users is expanding and their needs are becoming more complex and sophisticated. Vital new issues concerning international economic, political, social and technological developments demand equal analytical treatment with the more familiar and traditional national security issues. But the Intelligence Community cannot easily move to support these new concerns with its present relatively fixed fiscal and manpower resources. This is because at the same time the traditional issues of Soviet Chinese military capabilities and intentions are becoming both more resistant to collection and more complex in terms of the information required.

2. Producer-User Relationship

The Intelligence Community too often has a poor perception of user's needs and cannot project future requirements with confidence. Current mechanisms for adjusting intelligence priorities to match user needs are complex, imperfect and do not involve users to the extent that they should. At the same time, most major users of intelligence do not articulate their needs for intelligence particularly well and inadequately project their future needs. Thus intelligence managers have considerable difficulty setting firm priorities for allocating intelligence resources. This difficulty is particularly apparent in dealing with user needs that cut across traditional

SECRET

SECRET

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1
intelligence topics or regions, e.g., information relating to nuclear
proliferation.

3. Allocation of Resources

Current management information systems at the Community level
do not provide senior managers with adequate understanding of the complex
ways by which parts of the intelligence process relate to one another.

Budgets and manpower accounts are organized and displayed by collection
programs or by organizations

that is
resources are managed in terms of inputs to the intelligence process.

Resource decisions are not routinely made on the basis of their impact
on the outputs of the intelligence process (finished analytical reporting).

Further limitations are imposed by:

- Data bases which relate past, current and programmed funds and
manpower directly to intelligence products.
- Inadequate measures of the utility of specific intelligence products,
in terms of users needs.
- Analyses which explicitly relate collection, processing and
production resources to specific products and future requirements
for products.

4. Balance of Production

The traditional intelligence output is solid, descriptive reporting--
the when, where, who, what and how of facts bearing on various issues.

Producers of finished intelligence tend to give priority to these responsibilities

SECRET

SECRET

because it is necessary for their own operations and it is
Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

the first line demands of users for direct support. A vocal body of users (and critics) also increasingly want deeper, more sharply focused analyses to improve their understanding of current situations and likely future developments bearing on the principal policy, program and negotiating issues.

Producers have encountered substantial problems in moving from factual reporting to complex analyses. Analytic products require more comprehensive and detailed data and the best and most experience personnel to produce it. Moreover, analysis takes time - lengthy gestation periods and closer review by supervisors. Finally, this kind of intelligence production is in direct competition with the needs of both users and producers for "bread and butter" work that underwrites order of battle and capabilities documentation, reporting on scientific and technological trends, and description of day-to-day political and economic developments.

5

SECRET

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

5. Intelligence Objectivity and the Policy Process

Good interpretive analysis often comes close to the ~~making~~ ^{meshing} of policy and intelligence. By tradition, however, intelligence producers have favored passive over active support of users and have been reluctant to initiate a closer user-producer relationship. The worry has been that a closer relationship might somehow compromise the objectivity of intelligence judgments. As a result, many intelligence products have been less relevant and timely with respect to user needs than could be the case.

In those areas where production and policy are closest (energy, economics, terrorism, narcotics, SALT, MBFR and certain territorial negotiations) maintenance of objectivity ^{usually} has not in fact proved to be a serious problem. There is, of course, always a danger that close working relationships between intelligence analysts and departmental staff officers or senior policymakers could result in biased products that are structured to support policy positions, as producers come to identify with the policies they helped develop. This is a risk but one that can be minimized by the proper degree of professionalism on both sides *and alert management.*

6
Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

SECRET

SECRET

6. Checks and Balances

A doctrine has developed that calls for the DCI to deliver neatly packaged national intelligence, complete with dissenting views to the President and NSC. At the same time, however, departmental intelligence organizations are authorized to service directly two of the principle NSC members--the Secretaries of Defense and State--and through them also have a channel for direct dissemination of their product to the White House. While these departmental entities insist that CIA's national product be coordinated with them and exercise vigorously their right to dissent, neither hesitates to ^{issue} ~~incur~~ uncoordinated views in conflict with a national intelligence position. CIA also provides "uncoordinated" views to NSC members. The result all too often has been a flood of overlapping papers of varying degrees of validity, unleashed on the policymaker.

Obviously, sheer duplication is to be avoided but as in many other endeavors a certain amount of competition is healthy. Intelligence analysis seeks to know the unknowable and penetrate the impenetrable. When evidence is insufficient or ambiguous or absent, the more minds and more lines of analysis pursued the greater the chance of approximating the truth. When the competitive system works right each organization is stimulated by the critical work of others; none can afford to stand pat on conventional wisdom.

CIA. Of all US intelligence agencies, CIA has the broadest range of analytic capabilities. Nevertheless its resources are too thin to provide

SECRET

SECRET

comprehensive analytical coverage, it has trouble adjusting to new requirements, and on some topics of lesser importance it relies almost totally on other agencies. Because CIA is able itself to produce on most questions that are of major importance it is able to act as a check on the production of other agencies; to goad them out of long-held positions and into new lines of analytic attack on old problems. To get the best national product, however, it is also necessary that the competing departmental analysis centers be strong enough to keep CIA alert and challenged.. CIA's critics believe it does not pay enough attention to military factors and believe it tends at times to take an ivory tower approach^{and} to be isolated from the real world of policy interests.

DIA. This Agency has many problems. It is seriously handicapped by the physical division of its production elements and it has never been able fully to solve the problem of recruiting high-quality civilian personnel to work with a military command and staff system. The high turnover rate of its military officers is another problem. Its greatest problem, however, is its multiple missions of providing intelligence support both of the Secretary of Defense and his office and of the Joint Chiefs and their field commanders. The wide range of requirements of these two sets of customers are often different and together they are much more than the present DIA structure can accomplish. DIA's efforts to serve national authorities represented by the Secretary of Defense often complete with the need to meet the tactical requirements of field commanders and the strategic ones of the JCS. Critics feel that DIA analysis is too influenced by the military services.

SECRET

SECRET

INR has for many years been a stepchild of the Department of State. Several times the Department has been on the verge of eliminating it as an intelligence production organization. The small size of INR staff generally limits its contributions to national production, although the analytical quality of its input is usually high. INR's greatest strength is its direct involvement with a center of foreign policymaking in the USG and ability to provide tailor-made support to that process. Critics feel, however, that INR sometimes is overly influenced by foreign policy decisions and is not independent enough.

SECRET

SECRET

Service Intelligence Agencies. To some extent these agencies appear to be vestigial and duplicatives, but they do some useful work that contributes to national intelligence. Whether they continue to exist would appear to be a departmental problem for Defense, not a national one.

SECRET

B. Tasking of National Collection Assets

Centralized mechanisms exist for the guidance of major technical collection operations at the national level, under the DCI. There is no comparable mechanism for tasking human source collection for a variety of reasons--a large and varied array of human source collectors which provide major foreign reporting are outside intelligence entities, and there is resistance within the intelligence entities to the kind of sharing of detailed information on source capabilities which permits reasonably smooth technical collection interaction.

While the centralized mechanisms for guidance of SIGINT and imagery collection are generally regarded as satisfactory in peacetime, there are valid concerns about how the system can properly be tasked by SECDEF in discharging his National Command Authority responsibilities in time of crisis or war. In essence, the issue is a matter of priority, rather than authority.

Tasking has been complicated because intelligence collection systems have become increasingly capable of serving the broad interests of policy-makers and defense planners, the more specific technical interests of weapons developers, and the combat intelligence requirements of field commanders. Communications intelligence provides political and economic data, as well as information on

military capabilities and operations. Agents are asked to collect information on Soviet weapon technology, political intentions, grain harvests etc. Satellites produce pictures which are critical both to the SALT policy maker and the Army Commander on the East German border.

One issue is how to provide the tactical commander the appropriate product from nationally controlled intelligence assets and to enable that commander to task assets, national and tactical, which can be directly responsive to his needs. There is a related issue involved in ensuring that the appropriate product of "tactical" intelligence collection is made available to national policy-makers. Whether or not there needs to be a central mechanism to prioritize the tasking of national systems is a key question. Bearing in mind that wars tend to be fought with organizations which existed in peacetime, the organization adopted for intelligence management should be designed to be as effective in wartime as in peacetime.

In general, the predominate view is that the existing collegial tasking mechanism is adequate and should be retained. There is a dissenting view, however, which notes that the committee system is at times slow and bureaucratic, and doubts that it can be sufficiently responsive to time-sensitive requirements.

Finally, the community lacks a satisfactory mechanism for "tuning" collection requirements on an all-source basis.

Such competence does exist in the collection management, analytical and operational elements of the community. When one moves beyond the very general and broad guidance contained in such instruments as the Key Intelligence Questions and current requirements management and tasking is inevitably done via separate collection systems against separate problems.

C. Line Authority over Intelligence Elements

By the term "line authority" is meant day-to-day management and operation of an activity... what has been called "command, without command control" in the Defense Department. There appears to be general agreement that systems and organizations which are substantially tactical in nature should remain under line authority of DOD, although there is a significant grey area in defining what is "tactical". The principal questions relate to national intelligence collection systems. One issue is, what line authority arrangements best facilitate transition from peace to crisis to war? The interface between national intelligence collection systems and the non-NFIP military facilities essential to support them -- such as missile ranges, shipyards, base operations, etc -- also must be considered in assigning line authority.

There are perceived problems in the DCI serving dual roles as leader of the Intelligence Community and as head of the Central Intelligence Agency. The final report of the CHURCH Committee observed that "the Committee has found

concern that the function of the DCI in his roles as intelligence community leader and principal intelligence adviser to the President is inconsistent with his responsibility to manage one of the intelligence community agencies--the CIA. Potential problems exist in a number of areas. Because the DCI as head of the CIA is responsible for human clandestine collection overseas, interception of signals communication overseas, the development and interception of technical collection systems, there is concern that the DCI as community leader is in "a conflict of interest" situation when ruling on the activities of the overall intelligence community.

The Committee is also concerned that the DCI's new span of control--both the entire intelligence community and the entire CIA-- may be too great for him to exercise effective detailed supervision of clandestine activities".

A counter view set forth by CIA personnel in arguing for the status quo, suggests that removing DCI organizationally from the CIA would deprive him of his substantive base of support, thus adversely affecting his ability to function as the substantive intelligence advisor to the President. They consider the DCI tie with CIA absolutely inseparable, given the direct access that provides to the President, and they hold the view that to be a strong Community leader, the DCI needs not less authority over CIA but rather greater authority over other principal elements of the community.

One body of opinion holds that the capability of the DCI to produce high quality and responsive National

Intelligence can be substantially enhanced if he is given line authority over the major National Collection assets (NSA, and Air Force and Navy Special Programs). The counter body of opinion holds that such shift of line authority is not necessary, since the DCI can obtain full support through his existing prioritization and tasking responsibilities and access to all their products, and that such shift would be disruptive to support for the conduct of operations in crisis and war. These programs depend in large part on DOD assets and expertise worldwide for effective operations, and are effective and responsive to national intelligence needs as presently operated.

PROGRAM/BUDGET DEVELOPMENT AND RESOURCE ALLOCATION

E.O. 11905 created a collegial forum--the CFI (now the PRC/I)--for intelligence program and budget decisions and charged it with controlling budget preparation and resource allocation for the NFIP, establishing production and collection priorities and management policies, and providing guidance on the relationship between tactical and national intelligence. The Intelligence Community Staff (ICS) was charged with supporting the CFI as well as serving the DCI in the development of national intelligence requirements and priorities.

Current and future intelligence resource needs and their allocation among intelligence functions are heavily dependent on foreign and defense policies, priorities with respect to intelligence production and collection emphasis, requirements in the sense of information needed to be collected now or in the future, and the scope of intelligence (is it intended to serve a selected few or a broad range of users). Foreign and defense policies and alternatives are primarily an exogenous factor, though the interaction between policy and intelligence is complex and, at times, influences resource allocation. The remaining factors--intelligence community priorities, collection requirements, and clarity with respect to the extent

of the intelligence community's scope--are, however, primarily factors internal to the intelligence community that directly shape its resource needs and allocations.

There is general agreement that, during its first and embryonic year, the CFI did not focus on the above factors:

- The CFI established no priorities for intelligence collection or framework for determining them outside of the generally implicit priority determined by resource issues (e.g., it determined that a DIA building would be more valuable in 1984 than a follow-on SIGINT satellite program).
- The CFI provided no guidance on production priorities.
- Neither the CFI nor the DCI established a reasonably definable set of production and collection requirements, either in total or by individual collection technique, that was relatable to resource needs and allocations.
- The CFI established no guidance for clarifying the scope of intelligence in order to establish an inter-relationship between intelligence needed at the Washington policy level and that needed at the field operating level.

There is also general agreement on what the CFI and the ICS did during their first year of operation. Their dominant focus was on development of review procedures and review of the FY 1978 programs and budgets submitted by the individual intelligence components of the NFIP. The consensus of the participants in this development was:

- The committee, ICS, and DoD had significant problems in developing procedures, and they spent considerable time ironing out these procedures.
 - Defense attempted to focus committee attention on a set of extremely difficult, albeit real, management problems that have historically been resistant to central management authorities; it resisted committee involvement in the details of Defense activities on the basis that the committee should not "micro-manage" activities best left, in its view, to lower decision levels.
 - The ICS, in turn, attempted to focus committee attention on a discrete set of precise dollar issues in the context of an individual program; it resisted committee involvement in either complex cross-program issues or longer range resource management alternatives.

-- These differences in resource management philosophies resulted in a review that:

- Focused committee attention on a discrete set of precise dollar issues almost completely within an individual program as identified primarily by the program manager.
- Submerged minor dollar issues, whether or not relevant to cross-program or longer range resource objectives, in the belief that neither the committee nor the President could effectively deal with them.
- Deemphasized major intelligence management problems that would focus attention on cross-program issues or longer range problems.

The CFI processes have been given a very short time to operate, and the experience base for making judgments on their efficacy is extremely limited. Nonetheless, the broad outlines of the characteristics of a collegial CFI-type resource review process are, we believe, reasonably definable:

-- There will continue to be considerable disagreement about processes/procedures, including access to financial information, programmatic detail, and justification data, which will detract from substantive review.

- With a PRC/I charter limited to resources, but excluding requirements, a necessary bridge between the two, essential to effective intelligence community resource management, will continue to be lacking; the relationship between intelligence requirements and resources will continue to be obscured as long as separate processes and procedures for development of each are continued.
- Longer range intelligence management problems will continue to be resistant to review as long as the resource development and review processes are structured primarily along present sensor-oriented programs.
- The resource issues amenable to CFI review will continue to be a narrow set of precise dollar issues largely integral to an individual program because that is the way resource development and review are structured and because the methods to crosswalk priorities, requirements, and other programs are lacking.
- The problems of relating so-called national and tactical intelligence resources and capabilities will continue to grow; the potential for substantial duplication will remain, and, at worst, two separate

streams of intelligence (national and tactical) will evolve.

-- Performance evaluations extending beyond the scope of an individual program will continue to be extremely rare and exceedingly difficult to perform. Many of the characteristics of intelligence resource management today are tied to a set of individual programs largely structured along single or semi-unique sensor lines and would be present whether or not a collegial resource review process were in place at the top. CIA specializes in human source collection, imagery satellite collection, and production for the Washington area policymakers; NSA is tied almost exclusively to signals intelligence collection; NRO to space collection. This specialization combines with institutional cultures, reinforced by security concerns, to impede open and frank discussions of concerns across these specialized lines.

There is, thus, some validity to the charge--widely levied at the program managers, the CFI, OMB, and the Congress-- that they are micro-managing at a level of review and detail unbecoming their status. Since there is almost no coherent way to reasonably aggregate resources outside the individual programs, reviewers at all levels tend to address the same

issues. Should 2 or 3 satellites be bought? Should an aircraft have X or Y equipment? Is human source collection in X country satisfactory? There is a substantial degree of frustration on the part of both increasingly higher levels of program managers and outside reviewers--the former with the repeated reviews of their decisions and the latter with the inability to review decisions in a different or broader context. On the other hand, the broader questions--Is the resource balance among collection, processing, and production about right? Is the allocation of resources among human source, imagery, and signals intelligence appropriate? Is there proper resource emphasis on the USSR versus Western Europe, on political versus military questions?--are rarely raised and almost never answered because of the community's and the reviewers' inability to come to grips with them.

ISSUES

1. Should the community develop a systematic means of determining consumer needs and priorities and relating these to resources? If so, how?

Consumer needs at present do not have a major impact on the allocation of current intelligence resources, but rather serve to retask or retarget extant capabilities to

changing concerns. In the longer term, however, consumer needs should be a significant driving force behind the allocation of resources to acquire new intelligence capabilities--for SALT or MBFR verification, for example. For a variety of reasons, the consumer is presently ill-equipped to perform this function. What appears to be needed is a reasonable means of conveying to the consumer alternatives on both information needs and on the related collection and production options/costs. It appears that two steps are needed:

- A means of relating production and analytical resources to a set of given or assumed consumer needs.
- A means of relating collection alternatives to consumer needs.

Organizational Implications: A group or set of groups that can consciously translate among consumer needs, production capabilities and resources, and collection capabilities and resources is needed.

No such group is in existence today.

2. Should the community develop a capability of relating producer information needs and collection needed (i.e., requirements) and resources? If so, how?

The current link between producer information needs and collection requirements/resources is almost completely intuitive and highly judgmental. With the notable exception of imagery requirements, the community's requirements processes are dominated by collectors, not producers, and are generally devoid of any explicit consideration of resource implications. As a result, the relationship between product needs and collection requirements/resources is systematically lacking. Indeed, the requirements process is today generally described as open-ended such that collectors are reasonably free to search for and can find a requirement to justify any collection activity they wish to undertake.

One option, rarely used in the community, is to have a conscious tie between collection requirements and resources that forces an explicit consideration of the value of the information to be collected to the resources required for that collection. The community's individual programs have historically resisted this conscious interrelationship of requirements and resources, either for pre-budget justification or in a post-facto evaluation sense.

Organizational Implications: Past and current management arrangements deliberately divorce consideration of collection requirements from resources. A collection requirement should have

a price tag such that value and cost can be simultaneously weighed. In addition, producers, not just collectors, should be important contributors to this process. Splitting DCI requirement responsibilities from CFI resource considerations has exacerbated this historic problem.

3. Should the community develop an explicit means of identifying cross-program issues and analyzing them? If so, how?

The vast bulk of community resources should be more competitive across present program lines and less competitive within an individual program, except in the sense that they compete for dollars within a given program ceiling. The community's current and past specialization both in terms of collection approaches and production tends to mute these cross-program comparisons such that trade-offs are rarely considered, either implicitly or explicitly. SIGINT, imagery, and HUMINT requirements are seldom compared either in terms of competitive potential collection against a given target or in terms of actual past accomplishments. Similarly, production resources are rarely compared either to consciously prevent undesirable over-lap or to consciously promote competitive analysis.

The current structure of the community's consumer liaison, production, requirements, and collection elements severely

inhibits any attempt to crosswalk among its various components. Yet these seem to be the most fruitful areas for impacting on the overall size and allocation of intelligence resources. An explicit consideration of cross-program issues appears to be required.

Organizational Implications: It is doubtful given the current specialization of the community's components that they can be made to explicitly consider cross-program issues effectively. Cross-cutting mechanisms are required. These could take a variety of forms--topical as opposed to sensor-oriented requirements panels, directorate conglomerates for collection and production, or deliberate management approaches. Current organizational arrangements which flow through departments to departmental components inhibit this desirable development.

4. Should the community develop a coherent approach to longer range management problems? If so, how?

The potential competitiveness of community resources extends beyond the current and future allocation of resources to encompass alternative management arrangements for many community functions. These would include such community-wide functions and services of common concern as ADP, communications, security, and liaison arrangements. Current community

structure and resource review mechanisms fragment these activities among many components that make it impossible to focus management attention on these issues, which have both extensive resource and organizational implications.

These appear to be fruitful areas where explicit management attention is required. While cross-program by definition, they are unlikely to be resolved by a straight-forward cross-program resource approach without consideration of basic organizational and structural issues. The community appears to need an explicit means of dealing with them.

Organizational Implications: The current structure that splits resource management and organizational management is poorly equipped to come to grips with these issues. Resource management should imply at least some degree of organizational management for areas of major concern.

5. Should the community develop an explicit approach to consideration of the relationship between national and tactical intelligence needs and resources? If so, how?

The current dichotomy between national and tactical intelligence is becoming increasingly artificial with the development of technologies--both in collection and in communications--that knit the two together. There is general

agreement that a tie is needed whereby the resources and needs of each can be wedded to the other. Current national and departmental management structures and approaches are not conducive to this interaction and are unlikely to confront the relationship directly.

Organizational Implications: The community needs an explicit mechanism either outside the NFIP or within it to force consideration of the relationship between national and tactical intelligence needs and resources. Since this largely affects Defense, it appears DoD should take the lead in making this relationship explicit, possibly through assignment of this responsibility to an OSD-level component.

~~SECRET~~

COUNTERINTELLIGENCE

Counterintelligence has become a subject of special concern to and scrutiny by both the Executive and Legislative Branches. The Rockefeller Commission, the Church Committee, the Senate Select Committee and the President's Foreign Intelligence Advisory Board have all pointed out the weaknesses in the U.S. counterintelligence effort, and each has made strong recommendations for improvement.

Foreign counterintelligence is the only major intelligence discipline for which no national level interagency coordinating committee and policy structure exists. As a result there is literally no national counterintelligence policy. Five separate agencies engage in foreign counterintelligence activities, each on its own and in only limited mutual consultation.

The unique nature of the counterintelligence problem further complicates its resolution. This is because espionage and covert action programs directed against the U.S. are activities which:

- o depending on circumstances, may or may not be illegal;
- o vary in their importance from benign to critical;
- o are pervasive, but their extent impossible to measure with precision;

~~SECRET~~

SECRET

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

- 2 -

- o are demonstrably serious, but the damage difficult to assess;
- o systematically organized and directed, but the evidence fragmentary and isolated;
- o seldom touch us as individuals, but impact significantly on our collective defense and welfare;
- o thrive on human weakness, affect our international relationships, and touch the responsibilities (often conflicting) of a number of departments and agencies;
- o reflect political judgments in the assessment of their significance and severity;
- o traditionally, almost by default, have been regarded as more important to contain and operationally counter than to prosecute.

There are several ways to assess the threat of foreign espionage, each of which has a bearing on the nature of the counterintelligence response.

- The traditional assessment of the espionage threat has been an attempt to describe the enemy force structure. Such assessments have been based on a combination of hard facts, extrapolated data, and logical conjectures. In every case, they present a picture of forces so overwhelming, diverse, complex, and secretive that efforts to arrive at a coordinated

SECRET

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

SECRET

- 3 -

national response are effectively paralyzed. Further, this kind of quantitative assessment has in the past tended to deflect counterintelligence efforts to more accessible targets -- the identification and cataloging of "subversives" as potential espionage threats.

-- A second equally imperfect, but more useful, assessment of the threat is the damage assessment: an effort to assess the impact on national defense and on the national welfare of the flow of classified and proprietary information abroad. This kind of threat assessment is used, for example, to describe the impact on our military preparedness of the compromise of a weapons guidance system or the affect on a diplomatic negotiation of a spy in the foreign office. However, such events are dealt with in isolation, seldom sustained national interest, and there is a bureaucratic premium on limiting the damage assessment because the cost and pragmatic implications of a full assessment could be catastrophic. Recently, continuing documentary evidence has become available which shows that the Soviets (in particular) are systematically collecting information on virtually every aspect of American life. In addition to the Federal Government (White House to Equal Employment Opportunity Commission)

SECRET

and defense contractors, the Soviets are methodically collecting information on oil companies, basic industries, commodity brokers, banking activities, computer and high-technology industry, etc. That the information is used against us has been demonstrated by Soviet efforts to exacerbate the 1973 oil embargo, the manipulation of international money markets, and the catastrophic increase in the price of sugar two years ago.

-- A third important element of the threat, and one which is also inadequately understood, is the twofold impact on the rights, privacy, and freedom of United States citizens. To what extent is the rightful expectation of these Constitutional guarantees invaded by foreign espionage? To what extent can or may these individual rights be infringed upon for the collective good by U.S. counterintelligence efforts to deal with the problem of espionage? Criminal statutes do not provide an adequate legal base for the investigation of potential acts of espionage and terrorism.

Responsibility for various aspects of counterintelligence is vested in the FBI, the CIA, the Army, the Navy, and the Air Force. The jealously guarded prerogatives of each and the need for the utmost discretion in handling counterintelligence cases have prevented the

~~SECRET~~
- 5 -

implementation of effective coordination. Equally important is the fact that each case of foreign espionage requires the responsible agency or agencies to deal with other elements of the government which have different kinds of responsibilities, inadequate guidelines and authority for dealing with counterintelligence issues and, in many cases, policy considerations which run counter to the practice of effective counterintelligence. Thus, for instance, the complex visa regulations which establish who and for what purpose a foreigner reaches our shores are administered by the Department of State. Determination as to whether or not a foreigner (even with a visa) is actually admitted is wholly the prerogative of the Immigration and Naturalization Service. In both cases, policy considerations permit the granting of a visa and admission to the U.S. of identified foreign espionage agents, notwithstanding that with the exception of some Communist bloc officials, a foreign visitor, once in the United States, is unrestricted as to what he does and where he goes and is accorded the same legal protection as a U.S. citizen in the conduct of counterintelligence investigations.

Once an espionage, or, more often, a likely espionage, activity has been tentatively identified, the investigation must be conducted in accordance with criminal procedure, yet there may be no satisfactory legal evidence that a crime has been committed. In fact, the activity,

~~SECRET~~

SECRET

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

- 6 -

in spite of a perception of damage to the nation, may not be technically illegal. After apprehension, the prosecution of a case is equally difficult. Policy considerations and rules of evidence hamper prosecution and, with rare exceptions, the disposition of a case rarely reflects the damage to the national interest and welfare.

SECRET

Approved For Release 2007/09/06 : CIA-RDP79M00095A000300030008-1

SECRET

Public Trust and Confidence

The Intelligence Community has inadequate public acceptance; partly because public and Congressional attitudes have changed, partly because its own secrecy has prevented it from educating the public to the need for intelligence and to the cost--monetary as well as moral--of obtaining it. This problem is also a direct result of Congressional investigations and the resulting public perception of widespread abuses and other "failures", sensationalist reporting in the media, and a persistent belief in some quarters that U.S. foreign intelligence activities have still not been brought under adequate oversight control. It is a fundamental problem because the Intelligence Community must gain wider acceptance of its legitimacy and role within our democratic form of government if a viable U.S. foreign intelligence effort is to be sustained over the longer term.

~~In analyzing this problem, it is important to note that~~ Intelligence had as its original political base only a small group of senior congressmen, who protected it from and blocked its exposure to their colleagues. Over a quarter of a century, however, age and the electoral process took their toll of this group of elders and the position of those that remained was weakened, partly because the national attitudes of the 1940-45 period changed and the consensus they reflected was eroded by the Vietnam War and Watergate. Intelligence has thus been exposed in recent years to a rapidly growing new generation of political leadership that neither shares its traditions nor its view of the world. To complicate matters, the oversight of intelligence has become a testing ground

SECRET

SECRET

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

both for the generational struggle within Congress and for the overall balance of power between Congress and the Executive Branch.

The national turmoil of recent years had two other related effects: security has been seriously damaged and the public, with little background knowledge, has been presented with a distorted image of intelligence. The intense political emotion generated by the Vietnam War led to leaks by supporters and opponents for advantage in partisan debate and this atmosphere started the process of breaking down security discipline. When subjected to the investigative reporting in vogue since Watergate, some intelligence activities were exposed for the sake of exposure, or on the basis of "higher morality". Many skeletons--some all too real, others imagined--were dragged from the intelligence closet. Disclosure of some activities that were illegal and others that were injudicious gave ammunition to those hostile to intelligence itself. Further, those disillusioned persons who have come to believe the worst of their government in general have tended to accept at face value some exaggerated imputations of impropriety to legitimate activities.

Reorganization in and of itself will not create the indispensable base of public confidence and acceptance which the Intelligence Community lacks today. Structural^{UR} improvements in the name of efficacy must be accompanied by provisions for adequate controls and internal checks and balances--even at the cost of efficiency--in order to develop and sustain public confidence. Congress and the public must not only be satisfied that U.S. foreign intelligence activities pose no current domestic threat but that such a threat cannot be created by another Administration in the future.

SECRET

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

SECRET

There are two other aspects to the question of public confidence: effective Executive and Legislative oversight; and reconciliation of the need for secrecy with greater public pressure for disclosure and accountability. Over the last year the need for effective oversight has been widely accepted within both branches of government and the challenge here is to institutionalize the oversight functions.

The secrecy problem is much more complex. The need for secrecy is critical to the continued effectiveness of U.S. intelligence. Intelligence operations require a certain indispensable measure of secrecy and simply cannot be conducted unless Congress and the public accept this basic fact. This should not be impossible given the fact that the public already understands the need for secrecy in a wide range of other private and public matters from the lawyer-client relationship to the Federal Reserve's intervention in the nation's monetary system. However, resolving the issues secrecy raises in our open society will also require fresh analysis of what aspects of intelligence actually require protection, review of the concepts involved, and careful examination of the kind of legislation needed.

ILLEGIB



SECRET

Projecting a positive image and promoting better public understanding is a difficult business. It must be rooted in the facts of performance yet circumscribed by the dictates of security. As the Intelligence Community, and especially CIA, engages in increasingly sophisticated analysis on a wide variety of nationally important topics it will inevitably be exposed to partisan criticism. For example, National Estimates on strategic issues will, if they are of any value at all, inevitably become part of the policy debate on SALT and U.S. military force structure. CIA's recent world energy supply analysis is another example. While intelligence analysis should be able to stand up to vigorous challenge by non-intelligence experts, care must be taken to insulate it from partisan debate to the extent possible. Intelligence cannot become an open-ended information service and still retain its special quality of providing discreet, no-holds-barred analysis for highest level decision-making.

SECRET

STAT

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1

Approved For Release 2007/03/06 : CIA-RDP79M00095A000300030008-1