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DCI/IC 74-0966

1 March 1974

MEMORANDUM FOR: D/DCI/IC

SUBJECT : Perspective of the Intelligence Environment

1. Attached for your consideration is a first draft of the 1974 version of the DCI's "Perspective" paper. Part I, "Trends in the World Situation," was prepared by PRG, and Part II, "The Intelligence Imperatives," by CS. Copies are being circulated to [redacted] and the Group Chiefs.

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2. The organization of this year's Part I is the same as last year, except for omission of one sub-heading, "The Third World." The sub-headings retained are:

- General
- The Sino-Soviet-US Triangle
- The Multipolar World
- NATO-Warsaw Pact
- Middle East
- Southeast Asia
- Other Potential Trouble Spots

3. Part II, as proposed for this year represents a different approach from that of last year's paper. Differences between the two approaches is illustrated by their sub-headings:

<u>1973</u>	<u>1974</u>
<u>Primary Intelligence Problems</u>	<u>The Intelligence Imperatives</u>
Warning	Collection
Current Intelligence	Processing and Exploitation
Estimates and Net Assessments	Analysis
Arms Control Intelligence	Production
International Trade and Finance	Dissemination
Narcotics	Management
Some New Global Problems	

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4. If you approve the approach taken in this initial draft, Group Chiefs will be requested to provide comments and proposed changes to CS no later than close of business 6 March. Our intention is to have a completed paper ready for submission to the DCI before you depart on your trip.



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Rear Admiral, USN  
Chief, Coordination Staff/IC

Attachment:  
As stated

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DCI/IC/CS/[redacted] is (3/1/74)

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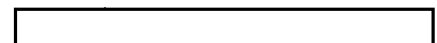
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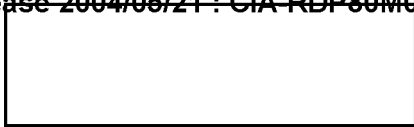
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**FIRST DRAFT**

**PERSPECTIVE OF THE INTELLIGENCE ENVIRONMENT**

**March 1, 1974**

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I Trends in the World Situation

A. General

1. The international environment is changing rapidly and often in unusual ways. Once-quiescent client states are stirring and turning away from their patrons; small countries with enormous resource wealth are challenging the economic practices and positions of much larger and stronger states; and relations between contending major powers and alliance systems are shifting into new and sometimes novel configurations. The temperature of the conflict between East and West has declined, but competition between the superpowers is still intense and manifests itself in new forms and in new arenas. Clearly, these matters add to the complexity and volatility of world politics and impinge on the activities of the United States Intelligence Community, imposing new tasks, modifying old objectives, and altering existing priorities.

2. This is not to say that the world and the intelligence business are being transformed overnight. None of these changes, for example, has diminished the longstanding national need for timely and sophisticated military intelligence. On the contrary, such creatures of detente as SALT and MBFR demand new efforts to monitor compliance; the movement of Western Europe into a more independent and self-reliant position necessitates a closer look at European defense plans and concepts; the precarious state of relations between the USSR and China forces the community to watch the forces on both sides of the Sino-

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B. The Sino-Soviet-US Triangle

3. Few matters of importance in world affairs will arise in the 1970s which will not be affected by the relationships of the US, USSR and China. Two basic circumstances have determined the course of these relationships in recent years: the USSR's achievement of strategic nuclear parity with the US, and the emergence of the military confrontation between China and the Soviet Union in Asia. These factors, for example, have combined in various ways to reinforce the trend in both Moscow and Peking toward policies of detente vis-a-vis the West. Specifically, the desire of each communist power to prevent the other from gaining relatively greater favor with Washington has encouraged restraint vis-a-vis the US, even in the face of strong US initiatives.

4. Soviet behavior since the signing of the strategic arms limitation agreements indicates an apparent willingness to accept parity with the US in numbers of strategic weapons. But the pace and scope of ongoing research, development, and testing programs for a variety of Soviet strategic systems suggests the USSR is intent upon achieving significant qualitative improvements in their offensive forces. This, coupled with sharp improvements in Soviet strategic defenses, could enable the USSR to gain a decisive strategic advantage over the US. This possibility must of course be a principal concern

to the intelligence community  
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5. The Chinese are obviously devoting much energy to increasing their military defenses and their political strength vis-a-vis the Soviet Union. The Soviets for their part are seeking to contain China--in Asia, in the West, and in the communist movement--and are continuing to improve their capabilities for military contingencies along the border. There are differing views as to the likelihood of a major Sino-Soviet armed clash, but the seeds of armed conflict are well planted.

6. But at some point in the 1970s, Chinese nuclear power will almost certainly preclude a rational Soviet decision to resort to military action. This, together with Peking's possible development of a limited nuclear capability against the US, might make it easier for Peking and Moscow to move toward some form of rapprochement. It is also possible, of course, that even independently of developments in the military sphere, the post-Mao (and perhaps post-Chou) regime in Peking will seek a real lessening of Sino-Soviet tension. Though chances of a fundamental reconciliation between China and the USSR seem very remote, even a limited improvement in relations would likely have a significant effect on US policy.

C. The Multipolar World

7. The new pattern of relations among the three great powers, the climate of detente in East-West relations, and the growth of an overall sense of security and self-confidence in Bonn and Paris and

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and Tokyo and elsewhere have all helped to thrust another major power center, Western Europe, into the area of prime intelligence interest. Preoccupied with their own and European (EC) concerns and feeling free to serve their own national interests with less regard for those of the US (and sometimes for those of the Atlantic community as a whole), the Europeans are at the same time becoming more and more apprehensive about the durability of the US commitment to Europe and increasingly suspicious of US motives vis-a-vis the USSR. And all this has now been further complicated by European unhappiness about US policies in the Middle East and by the anxiety of individual European states over the supply of oil from Arab sources.

8. To some extent for similar reasons, though partly because of its special relationship with China, Japan too has begun to emerge as an important power center in world affairs. Smaller states once very closely associated with the US, including Canada, Australia, and several key Latin American countries, have also tended in recent years to become more self-assertive and less inclined to follow the lead of Washington. The same is true of Iran, which has become a world economic force and a regional military power, and Saudi Arabia, which is moved in large part by considerations concerning Israel.

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9. Elsewhere, in the Third World, the large non-aligned countries, such as India and Indonesia, and the strategically located states, such as Somalia and Singapore, will continue to attract Soviet interest and, where Moscow finds it feasible, a Soviet presence. Competition in these areas with the US and in some instances China will persist and perhaps grow.

10. Because of trends of this character, the community is likely to be called upon to provide extensive political, economic, and military intelligence on a wide variety of countries which were once given only cursory attention. The community must also face the thorny problem of a probable need by the US Government for reliable and timely information on the actions and operations of the major multi-national corporations. It is clear in addition that the US intelligence community will be engaged worldwide in acquiring data on the availability of natural resources and on foreign technological developments.

D. NATO-Warsaw Pact

11. Serious issues attend the development of detente in Europe. While skeptical that the USSR will ever allow the erasure of the line dividing Europe into two blocs, the West Europeans are eager to expand economic relations with the USSR and Eastern Europe and to achieve a general political relaxation in Europe. The Soviets, seeking credits and technology in the West, are anxious nonetheless to preserve their

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dominance in the East. Many of the East Europeans are also torn between their hopes for the kind of greater autonomy East-West rapprochement could bring, and their fears that the West might, in the name of detente, concede to Moscow the permanent right to rule its own sphere in Eastern Europe. Romania, already in effect a non-practicing member of the Bloc congregation, is especially concerned about the possible effects of cordiality among the large powers on its own future as a small power.

12. Detente has of course also posed problems for the Western alliance. The cohesion and effectiveness of NATO in an era of Ostpolitik is by no means assured. Even assuming a basic unity and common purpose vis-a-vis the USSR, a confident measure of the relative military strength--primarily conventional strength--of the two alliances is a key intelligence problem. So too is the need to insure high confidence in our estimates of relative strength so that the US and its NATO allies have a clear and mutual understanding of the nature of the threat.

#### E. Middle East

13. The evolution of the Arab-Israeli conflict and the Soviet role in the area will remain major targets of US intelligence efforts in the Middle East. US attention is now focused on the development of a peace settlement, Arab use of oil resources as a political weapon, and the supply of arms and technology to the Arabs, particularly from

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the USSR and France.

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14. The Soviets will seek vigorously to offset any decline in their influence in the area stemming from a US-sponsored settlement. Yet the movement toward settlement is not without advantages for the USSR insofar as it reduces the chances of another round of hostilities (which could threaten severe damage to the interests of their clients and risk their own direct involvement) and insofar as it prepares the way for a reopening of the Suez Canal (and freer and quicker Soviet access to the Indian Ocean).

F. Southeast Asia

15. It is unlikely that the fighting in Southeast Asia will cease before 1980, if then. All countries in the area face ongoing or latent insurgencies. Defeat by insurgents of the forces of the incumbent governments--especially those of South Vietnam, Thailand, and the Philippines--could have serious consequences for US interests. For some time to come, then, intelligence will be called upon to provide extensive reporting.

G. Other Potential Trouble Spots

16. The Balkans, South Asia, Latin America, and southern Africa (where black and white dominated nations confront each other) are all areas where eruptions are possible and where US interests are involved. In the Balkans, the passing of Tito might tempt the Soviets to try to return Yugoslavia to the orthodox communist fold.

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In South Asia, the situation in Pakistan and the relationship between Pakistan and Afghanistan remains unsettled. In Latin America, the USSR's military presence in the Caribbean and its influence in Peru and the emergence of increasingly nationalistic and often anti-US regimes pose the principal problems for the US and US intelligence. Finally, all over the world, and in all types of societies, there is a growing tendency among ethnic groups to demand, often violently, that their institutions, cultures, and aspirations be accorded special recognition. This is a tendency likely to grow and to become more disruptive as the decade progresses.

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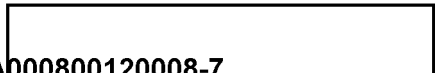
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## II THE INTELLIGENCE IMPERATIVES

1. The preceding section has described the environment within which foreign intelligence activities of the United States must be conducted and has indicated the priority needs to which the Intelligence Community must respond. The manner in which this response will be made and the more important of the factors which impact on the size of the National Intelligence Program deserve brief consideration.

2. Much of what follows will be familiar to key officials of the Community, but this does not detract from the usefulness of once again focusing attention on problem areas. Their continued existence indicates that awareness of difficulties has not yet provided solutions.

3. Melding planning for intelligence resource allocation with an assessment of the implications which trends in the world environment hold for the Intelligence Community requires close attention to all aspects of the intelligence cycle. The "intelligence imperatives" are viewed, therefore, in terms of their impact on collection, processing, production and managerial aspects of the intelligence effort. Together these combine in the basic "imperative" -- which is to keep senior officials of the



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United States Government convinced that the intelligence output is responsive to their needs and that intelligence missions are being effectively handled.

4. In sum, responsible US intelligence officials face several key problems:

-- insuring that the collection effort is focused on data which the intelligence analysts need to respond to the important information requirements of the intelligence customers;

-- providing adequate facilities and professional manpower for processing collected data and producing finished intelligence;

-- enhancing responsiveness of the intelligence effort by maintaining close and continuing relationships with the primary users of intelligence;

-- insuring that the interface between national and operational capabilities supports the readiness of military commands and forces to meet specialized field requirements;

--accomplishing planning which gears US intelligence to meet future needs even while the Community is responding to today's problems;

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-- developing means of assuring that resources are being applied against the intelligence tasks not only efficiently but also in an ordered priority which insures full attention to the more important tasks.

A. Collection

5. Most of the dollar costs of the US foreign intelligence program are expended on collection activities, and the ability of the Intelligence Community to cope with its responsibilities depends in large measure on the effectiveness of key collection programs. Rising costs will quite certainly raise questions as to the continued essentiality of some projects, new capabilities will be required to obtain information not now being collected, and greater attention undoubtedly will be needed to the better ordering of information needs on a priority basis as guidance to collectors.

6. The major portion of the foreign intelligence collection effort is, and must continue to be, focused on those few targets of highest concern at senior policy levels of the US Government. These targets encompass the intelligence required for:

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SALT verification

MBFR negotiations

The Limited Test Ban Treaty

Southeast Asia

The Arab/Israeli crisis

PRC weapons systems

Nearly three-fourths of the "Key Intelligence Questions for FY 1974" relate directly or in part to these six subjects, as do a large number of the highest priorities in the Attachment to DCID 1/2, "US Intelligence Priorities."

7. The key word in any description of the emerging strategic balance of the late 1970s is "uncertainty" -- uncertainty about the technical, the military and the political ramifications of Soviet programs. The United States effort in the SALT negotiations is directed at reducing these uncertainties, and making the balance both safer and less costly in resources. This effort depends largely on dependable intelligence, and therein lies a major challenge -- particularly as regards collection.

8. More than has been the case in the past, tight fiscal constraints on intelligence budgets will force difficult decisions in the collection field which will accommodate to requirements for better technical sensor systems by trade-offs with existing systems to keep capital investment costs manageable.

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9. A global surveillance system probably will be vital to US posture management in the coming decade, and because of its responsibilities for the provision of warning, the Intelligence Community must continue to be very intimately involved in the effective functioning of this system.

10. Pressures are rising, however, for increased attention to a large number of other types of collection targets. This is particularly true with respect to intelligence on international trade and finance as concern rises for the economic security of the United States. Responding to the expanding need for economic and political intelligence will require more than exploitation of signals intelligence, imagery and clandestine activities. Greater attention will have to be applied to overt collection opportunities of all kinds, including effective use of Foreign Service and Treasury Department reporting from overseas.

11. The past several years have been marked by considerable progress toward systemitizing and improving the guidance provided collectors of all types, but more remains to be done. The identification of important information "gaps" as part of the "Key Intelligence Questions" evaluation process, the Defense Intelligence Agency's "Current Near-Term Defense Intelligence Objectives (CNTDIO)," and the assignment of priorities to intelligence topics by individual country in the revised Attachment to DCID 1/2 are steps in this direction. Establishment of relative

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priorities among competing requirements for information has proved to be extremely difficult, but the effort to do so must continue.

B. Processing and Exploitation

12. Two problems needing increased attention in this phase of the intelligence cycle are: (1) improvement of techniques for handling large quantities of data to glean from the mass of potentially useful data that which is actually needed by intelligence analysts; and (2) better means of assuring that the processed output is in a format which enhances its utility to the analyst. The need for the application of priorities to cope with the volume of information collected or collectable is at the heart of the difficulties associated with intelligence processing.

13. Ease and convenience of processing must not be allowed to override consideration of the utility of the information being processed. Unless the end result of processing is in a format directly useful to intelligence analysts, there is great risk that the collection/processing effort will come to naught. Improved interchange between analysts and processors is essential; the analysts must understand the processing problem and the processors must appreciate the information needs of the analysts.

14. Because data processing resource use can loom so large, the manpower, equipment and other costs associated with processing activities

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must be carefully assessed at the time decisions are being reached as to the desirability of new or improved collection efforts. Care must be taken to insure, in particular, that imagery and signals intelligence collection capabilities are not programmed without careful attention to the associated processing and exploitation costs, including any necessary research and development.

15. The "communications explosion" is not an abstract phrase in exploitation either of the data acquired by technical sensors or of available open source information. US intelligence must utilize sophisticated computerized data handling procedures on a scale not yet attempted, or actually forego working effectively on some types of collectable data.

16. As Vietnam experience clearly demonstrated, particular attention still needs to be given to improving capabilities for processing and exploiting imagery in operational situations. Either photo reconnaissance must be more selective, or processing and exploitation capabilities must be developed to cope with a flood of film.

C. Analysis

17. Raising the quality of intelligence analysis which goes into the expression of intelligence judgments remains an essential element of our efforts to respond to the President's Directive of November 1971 that the "quality, scope and timeliness" of the intelligence product be improved.

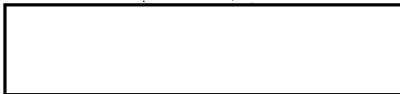
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18. The improvement of analysis involves continuing attention to the proper selection and training of individual analysts, to improved organization of the data bases, and to positive application of effective quality controls throughout the intelligence production process. Special promotion treatment for those analysts who most clearly demonstrate high quality output could contribute to their motivation.

19. The Intelligence Community is experimenting with the use of quantitative methodologies which appear to offer promise of improving the expression of estimative judgments. Continuing attention should be given to such methodologies in all major production organizations to take advantage of ongoing research and development in the informational and behavioral science fields. Analysis which provides the intelligence consumer with a clear view of the nature and relative likelihood of alternative future international developments is sorely needed.

20. Intelligence production organizations should deliberately seek out and put to use improved methodologies and techniques of estimative analysis and presentation. Particular attention should be given to better ways of describing and analyzing uncertainties in estimates which forecast the expected future course of events, particularly when such estimates deal with matters on which considerable differences in judgment may exist.



21. Basic improvement in information handling techniques and enhanced compatibility between and among systems must be sought as part of the effort to upgrade the quality of intelligence analysis.

D. Production

22. While successful collection, timely processing and sound analysis of data are the foundation of an effective foreign intelligence effort, it is the responsiveness of the end product to user needs which provides the basis on which the US intelligence program is judged. Constant attention must be given to insuring that the finished intelligence output responds in a timely fashion to the actual needs of the intelligence customer.

23. Encouraging progress is being made, but it is essential that the Intelligence Community sustain its efforts.

24. Programs are underway to enhance the performance of the Community in crisis situations and to develop a "family" of national intelligence production which, hopefully, will provide senior government officials more by way of Community judgments on matters of policy interest and less in terms of volume of paper.

25. Establishment of the National Intelligence Officer system is intended to provide a means of improving liaison with key users of intelligence and of enhancing the direct responsiveness of Community end

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products to the identified needs for intelligence in support of policy making. Full Community support of the NIOs is essential.

26. Enhancing intelligence performance in crisis situations calls for a continuing focus on the efficient functioning of the indications and warning system, on avoidance of stereotyped approaches to analysis of the situation in periods of developing crisis, and on provision of intelligence judgments to consumers on a timely basis. Programs underway to utilize secure communications nets as a means of speeding the production of coordinated factual bulletins and timely analyses must have full Community cooperation. Automated data support for analysts is particularly important in crisis situations, and the Intelligence Community must keep abreast of the state of the art in this field.

27. Efforts are underway to identify areas in which national and operational intelligence production can better interface. This is a two-way street, and in the interest of efficient use of limited resources, care is needed to insure that unnecessary redundancies are avoided in the exercise of national production capabilities and the capabilities of operational field elements of the Department of State.

E. Dissemination

28. The Intelligence Community is operating in a milieu in which sensitive classified information appears to be "fair game" both for the

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public media and for some few persons authorized for access to classified intelligence who, for whatever reason, are inclined to "leak" information to the media. The end result is that sensitive intelligence judgments and sensitive sources and methods appear to be more at risk from unauthorized disclosures than is acceptable.

29. The Community should pursue two related courses of action. It is important that every effort be made to instill in all personnel engaged in intelligence activities a sense of personal motivation for the protection of intelligence information and intelligence sources and methods from unauthorized disclosure. Secondly, while those who need access to intelligence in pursuit of their assigned responsibilities must have it, continuing careful attention needs to be given to limiting dissemination of publications or other documents containing sensitive information on a strict need-to-know basis.

F. Management

30. Coping with the problems of the magnitude of those thus far described poses management challenges of the first order from the highest to the lowest management levels.

31. The Intelligence Community is going to have to get more out of its investment and more output from fewer personnel in order to match the inroads of ongoing inflation in all types of costs. The combination of tight fiscal constraints on budget ceilings and the pressures which continuing inflation exerts against those ceilings, creates the cutting edge

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of the problem -- a cutting edge which can be blunted only by constant attention to costs, to efficient use of manpower, to application of priorities, and to the elimination of activities which are not demonstrably worthwhile.

32. Sound planning and strict financial controls must be the keystone in this process. Rigorous application of carefully identified requirements and priorities, including the elimination of low-priority collection and production activities, must be accepted. Research and development must be applied to manpower intensive activities, such as intelligence production, as well as to technical sensor systems.

33. Major among the matters to which continuing attention must be devoted are ways and means of strengthening mechanisms for Community coordination and the development of arrangements to avoid unnecessary redundancy in functions and activities among the various organizations involved in national intelligence. Adjustments in roles, missions and functional assignments -- where careful study indicates a need for such -- cannot be avoided if the Intelligence Community is to maintain its viability.

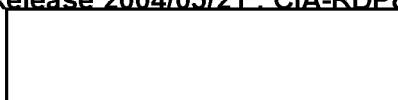
34. Such adjustments must, however, be based on a good conceptual understanding of the operating dynamics of the Intelligence Community. Policy changes and perhaps restructuring of elements of the Community may be needed, but any such proposals will require careful

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study and analysis. Management and analysis methodologies and techniques are available to do this and should be applied.

35. One of the most important tasks is to devise an "audit trail" from important substantive end products of the Intelligence Community back to the costs involved in collecting, processing and analyzing the data involved. The cost effectiveness with which each contributor participated in each phase of the intelligence cycle must be related to the value of the resulting end product. The "Key Intelligence Questions" and the process developed for evaluation of the Community responses to these questions are steps in the right direction. More needs and will have to be done.

36. As a more detailed indication of management questions of current importance, at Tab A is the statement of "National Foreign Intelligence Program Management Objectives for FY 1974," issued by the Director of Central Intelligence in December 1973, after consultation with the Intelligence Resources Advisory Committee (IRAC). Management Objectives for FY 1975 -- currently under development -- will strengthen ongoing efforts to cause Management by Objectives (MBO) to become an integral part of the functioning of the Intelligence Community.

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