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SEMIANNUAL NSC INTELLIGENCE REVIEW

**An Assessment of
National Foreign Intelligence
Production**

Volume II

ANNEX

Prepared by the Intelligence Community Staff on behalf of the
Director of Central Intelligence for the National Security Council

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SEMIANNUAL REVIEW OF FOREIGN INTELLIGENCE

An Assessment of National Foreign Intelligence Production

Volume II

Annexes

Volume II of the Semiannual Review of Intelligence, *An Assessment of Foreign Intelligence Production*, provides supplementary data on the findings of the IC Staff concerning the timeliness and quality of intelligence pertaining to those areas and topics specifically examined in this initial Semiannual Review. The findings are based primarily on the views of policy officials and staff officers expressed in over 100 interviews conducted in September and October, 1976. The scope and emphasis developed in these annexes varies because of time limitation and the availability of interviewees.

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An Assessment of National Foreign Intelligence Production

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ANNEX A

THE SOVIET UNION AND EASTERN EUROPE

Intelligence Resources and Products

More intelligence resources are allocated to the USSR than to any other single country or group of non-Communist foreign countries. This situation has not changed significantly in the past 30 years. In addition to the substantial proportion of total resources devoted to collection and processing (especially imagery and SIGINT), the production effort concerned primarily or exclusively with the USSR dominates the activities of virtually all components of the Community.

The broad subject area that receives most attention is Soviet and Warsaw Pact military capabilities, including matters directly related thereto such as intelligence support for SALT/MBFR and military-economic and S&T analyses. The IC current intelligence effort emphasizes the impact of external events on US foreign policy concerns of the moment, with Soviet behavior receiving much greater attention than the activities of other nations. Significant resources are devoted to current reporting on political, ideological, economic, and non-military technological developments involving the USSR. Relatively little attention is paid to non-military aspects of East European nations.

Users have a general appreciation of the characteristic emphasis on Soviet matters in the total US intelligence effort, even though they may not be familiar with the size and distribution (by agency, topic, function) of the resources covered by the NFIP budget. Although some users believe that more attention should be given to other geographic areas and/or topics, they do

not fundamentally object to the priority accorded to Soviet affairs in allocating intelligence resources.

In considering the quality and timeliness of intelligence on Soviet and East European matters, two factors should be noted at the outset. First, NFIB agencies have acquired a substantial amount of knowledge about the USSR in the past quarter century. Policymakers can draw upon a relatively rich storehouse of information and expect the Intelligence Community to produce generally credible estimates and penetrating analyses. However, user needs have become more difficult for producers to meet, chiefly because of the increasing number and complexity of user demands on intelligence. The appetite for better intelligence is insatiable, the limitations of intelligence are not fully or widely appreciated, and the intelligence producer's wares are often regarded as "free goods"—indeed, analysts are not only expected to satisfy users' requirements promptly, but also to anticipate future needs which policymakers themselves do not clearly foresee.

The second factor is that US capabilities for producing intelligence in depth on most aspects of the Soviet and East European economies are now largely concentrated in CIA, notably OER and OSR. Other NFIB agencies (viz. State/INR, DIA, and Treasury) and such departments as Commerce and Agriculture have very limited analytical capabilities in this field. Users are less dependent upon CIA for intelligence on Soviet S&T. Although CIA's Offices of Scientific Intelli-

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gence (OSI) and Weapons Intelligence (OWI) have substantial capabilities, DIA and the military services devote considerable effort to intelligence on technology of potential military significance, and ERDA plays an important role in assessing Soviet atomic energy activities. For obvious reasons, the bulk of intelligence resources available for analyzing Soviet and East European military capabilities and politico-military topics is in DOD and CIA.

Soviet and East European Economy, Technology and Politics

Current Intelligence Support

Most consumers rely heavily on daily cable traffic, the press, and on CIA (DDO) and NSA reports as the principal sources of their current intelligence. Publications like the National Intelligence Daily (NID) serve as another valuable source of information. Timely classified accounts of current developments are useful to policy-makers as aids in keeping up-to-date on events abroad, whether or not the same events are reported in the public media; but the value of this kind of intelligence depends upon the extent to which the information supplements what is already known from other sources or corrects reporting by news services. Frequently users complain about the lack of follow-up after an item is no longer in the headlines. This criticism may reflect, in part, unfamiliarity with other intelligence publications (e.g., weeklies) which are more appropriate vehicles for presenting analyses of current events in a broader perspective; however, it may also reflect deficiencies in IC performance—undue emphasis on reporting new events, insufficient attention to trends and implications, or failure to produce enough follow-up reports to satisfy the interests of diverse consumers.

More specialized periodicals (e.g., Economic Intelligence Weekly, International Oil Developments, Weekly Surveyor) are widely circulated among users concerned with Soviet and East

European affairs. Users seem to be satisfied with them. Such products help to bridge the gap between cable-gisting, NID reporting, and daily oral briefings on the one hand, and in-depth analyses and comprehensive studies on the other.

In general, users are not dissatisfied with the timeliness and quality of current intelligence as such, but they want something more than accurate and perceptive reporting. There is a particularly strong user plea, for example, for more in-depth, integrated politico-economic reporting on internal East European matters. The underlying problem for every NFIP agency, as well as for the Intelligence Community as a whole, is how to provide users with *both* good current intelligence *and* the ad hoc support, policy-oriented research, credible estimates, factual compendia, and imaginative analyses that users also want. There is probably no satisfactory solution to this perennial problem as long as IC resources are, at best, kept constant and policy-making users themselves articulate no workable limits on their needs.

Basic Data on the Soviet Economy and Soviet Technology

As noted earlier, the Intelligence Community's collective data base on the USSR is now much richer than it was a decade or two ago. Statistical and descriptive information on Soviet economic and technological matters is sometimes analogous to factual data on Western industrial societies, but a significant portion of the IC data base consists of estimates and inferences which are subject to some—often large—uncertainty. There is nothing unusual about this situation. Experienced analysts are quite aware of the difference between genuine facts and well-founded estimates, as well as the difference between both these and spongy estimates, dubious inferences, and plausible guesses. The principal difficulty is that intelligence producers seldom detail their analytical assumptions or indicate the range of uncertainty that applies to the statistical and descriptive underpinnings of

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their analyses. As a result, users often do not know how firmly producers know the facts on which intelligence conclusions and inferences are based.

Another aspect of the IC data base is worth mentioning—namely, its effect on the timeliness and quality of intelligence products produced in response to user needs. In this instance, timeliness refers to the promptness of the producers' responses rather than the speed with which information on current events is conveyed to policy officers. Inadequacies in the data base force the producer either to rely more heavily on shaky "facts" in his analysis, thus sacrificing quality in the interest of meeting the user's deadline, or to take more time for basic research and/or for making credible estimates, thus sacrificing timeliness in the interest of producing a better product. Hence, the extent to which IC analytical products can be both timely and qualitatively better depends largely on the adequacy of the pre-existing data base for the particular problem being analyzed.

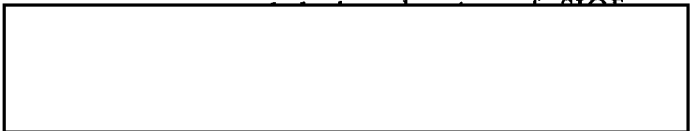
In recent years, the IC has maintained its data base on the USSR, Eastern Europe, and other Communist countries chiefly as an adjunct to the production of analytical reports on specific topics (e.g., the typical OER, OSR, or OSI efforts mentioned above). However, the reduction in OER resources allocated to Soviet economic research— since 1970—and the transfer of senior researchers to other priority areas have contributed to a general reduction of systematic, basic work on the Soviet economy. Whether there should be a comprehensive effort to produce more basic economic intelligence is a complicated question, especially since it would put a heavy burden on IC resources and would require very careful planning. Pending further inquiry, we can only note that the present IC data base is evidently adequate for some purposes and inadequate for others

An example of the former situation is the briefing material on the economies of Poland,

Romania, and Yugoslavia prepared by OER for Treasury Secretary Simon's trip in June 1976. These materials were an essential contribution to the briefing books compiled by the Treasury staff, which were an outstanding success. They drew upon the intelligence data base, exclusive of compartmented information. While they could have been better if compartmented material had been included, this material was excluded because of the lack of special intelligence clearances in the Treasury offices that developed the briefing books. This is an instance of how classification and clearance problems adversely affect the adequacy of the Community's products in satisfying the needs of policy officers. As a general rule, however, the Community performs well in responding to user requests for collations of factual material.

In contrast, some users feel that the IC data base on Soviet industry is still inadequate to support the more detailed requirements of military planners—e.g., targeting of US strategic forces. Despite recent dramatic improvements in DOD's processing and analysis of information regarding Soviet industry, there remain gaps in our knowledge of the location and identification of industrial installations in the USSR. This

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cient, detailed information also affects how well intelligence serves other users. For example, gaps in available data on non-military sectors of the Soviet economy, particularly the interaction between civilian facilities and military R&D

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establishments, hamper analysis of the impact of Soviet acquisition of Western technology. This weakness in turn affects export control policy.

Intelligence on Technology Transfer

Policymakers are generally satisfied with much of the research and analysis done by the Community (notably OER, OSR, and OSI) on various sectors of the Soviet economy and on specific areas of technology. This impression applies chiefly to analytical reports of limited scope and less to studies of the interrelationships of industrial sectors or multi-disciplinary assessments of the political, economic, and military impact of technology transfer. While considerable work has been done on input-output analyses of the Soviet economy, more is needed before the economic impact of new technology (including new products and know-how obtained from the West) can be confidently assessed. Similarly, the IC has produced some broad-gauged estimates that deal with the political, economic, military, and social implications of current or prospective developments in the USSR (SNIE 11-6-76, *Implications of the 1975 Soviet Grain Harvest*, is a recent example) but more needs to be done to provide policymakers with the kind of sophisticated intelligence support they desire.

The PFIAB has mentioned this deficiency in IC performance; in particular, it has stressed the need for a comprehensive and integrated analysis of technology transfer to the USSR. Three steps are being taken toward meeting this requirement. First, several case studies of individual industries are being prepared to shed further light on the impact of technology transfer on Soviet production of machine tools, computers, instruments, and construction and petroleum equipment. Second, additional studies of the military impact of technology transfer are underway. Third, a major interagency reexamination of the Soviet economy is planned. It will take account of the larger defense burden implied by the revised estimates of Soviet military expenditures, effects on the total capital stock and labor force,

implications for future economic growth, and the possibility of policy conflicts within the Soviet leadership regarding resource allocations. It is expected that these efforts will provide a framework for undertaking a more comprehensive study of technology transfer issues in 1977-78.

Intelligence on Military Economics

Soviet military economics is another area of growing concern to policymakers and military planners. The principal topics of interest to users are: (1) the composition of Soviet defense spending by military service (SRF, PVO, etc.) and by resource category (RDT&E, procurement, construction, personnel and O&M) as well as the impact of these activities on the economy; (2) comparative analysis of the aggregate military outlays of the US and the dollar costs of USSR military programs and activities in total and by military mission and resource category; (3) changes in these ruble and dollar aggregates over time, together with future projections; (4) cost effectiveness and detailed cost analyses of selected Soviet weapon systems; and (5) cost analyses of civil defense and other programs designed to enhance post-attack national survival. Intelligence on these topics plays an important role in estimating current and future Soviet capabilities for waging war and in preparing net assessments. Indirectly, it may also shed light on Soviet policies and behavior outside the military sphere since economic growth, consumption, and investment are affected by the size of the USSR's defense expenditures.

The IC's underlying research task in this area is to determine the cost of the items included in whatever military expenditure totals are needed—e.g., totals that are intended to be all-inclusive and those that are more restricted in scope, figures in rubles and in dollars, and statistics for one year or for several years. While some reliable data are available, most of the building blocks in this vast costing effort must be estimated. There are difficult conceptual and methodological problems at virtually every stage of aggregation, and these problems are exacer-

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bated in constructing the time series and US-USSR comparisons wanted by users.

The Intelligence Community has grappled with these problems for many years. Since April 1973 the primary effort in the Community (viz. research done by OSR) has been guided by periodic reviews by the DCI's Military Economic Advisory Panel (MEAP). Among other things, MEAP has recommended that (1) the present building block method of estimating Soviet military expenditures should be continued, but that alternative approaches should be explored; (2) thorough documentation of all the inputs to the direct costing work should be undertaken; (3) greater efforts should be made to prevent misuse of comparisons of US and USSR military expenditure in dollars; and (4) a coordinated agency-wide effort should be made to improve our knowledge and estimates of Soviet R&D programs and their resources.* Improvements in dollar cost factors and in ruble price estimates are being realized more or less continuously. They will be reflected in revised OSR reports on Soviet military expenditures in 1977, as well as in several specialized OSR studies planned in response to requests from the OSD Director of Net Assessment.

Intelligence Support to SALT and MBFR

In the view of most users, the Community does an excellent job in supporting both SALT and MBFR negotiations. Current intelligence reporting on these matters has been timely and of high quality, and has been supplemented by rapid, thorough responses to specific ad hoc requests for information. The more detailed inputs to SALT/MBFR policy papers are also well received. The principal intelligence product used by SALT's Standing Consultative Commission—the periodic Monitoring Report—has been remarkably consistent with Soviet-supplied information, and has thus been an invaluable negotiating tool. In MBFR, significant progress

* See MEAP, Second Annual Report to the Deputy Director for Intelligence (22 January 1976), for further details.

has been made over the past three years in developing agreed, credible Soviet/Warsaw Pact force-level estimates in the NATO Guidelines Area. Both SALT and MBFR processes have also profited considerably from the substantial work done by the Community in assessing near-term national verification/monitoring capabilities and problems.

The Community's notable success in supporting SALT/MBFR seems largely explained by the fact that (1) user requirements have been clearly defined and of relatively narrow scope, (2) the user-producer dialogue has been close and continuing, and (3) considerable collection and analytical resources have been allocated to these high-priority negotiating processes.

Nonetheless, certain users call for more longer-range analyses related to SALT and MBFR, particularly all-source studies of Soviet negotiating strategy and tactics and projections of future verification capabilities as they pertain to US arms control strategy in the 1980s. Such Community undertakings have been impeded by both a lack of sufficient analytical resources and major uncertainties about the future course of the negotiations.

A more pressing problem expressed by some users concerns the Community's treatment of uncertainty and dissent in its reporting on Soviet/Warsaw Pact forces. For SALT negotiators, for example, the questions surrounding Backfire bomber performance have been of extreme importance, but pose a dilemma. On the one hand, the earliest possible notification of changing Community views and emerging differences in this regard could enhance negotiating flexibility. On the other hand, early notification of preliminary reanalysis could create problems for policymakers and negotiators who are left with ambiguous intelligence or, even worse, with lingering doubts over previously accepted positions derived primarily from intelligence. Such uncertainty and revision is inherent in intelligence, however, and users should be educated to expect and tolerate it.

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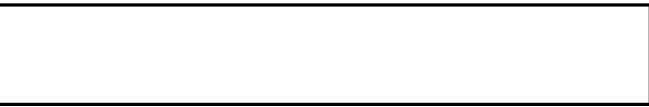
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The Community's handling of uncertainty is also an increasingly important aspect of the data base requirements for MBFR. With the Soviet's June 1976 tabling of data on Pact forces which were well below Western estimates, the confidence of the US (and NATO) Intelligence Community in its current estimates of Pact force levels will be put to a severe test and will require thorough exploration. The full, clear communication to MBFR negotiators and the Verification Panel Working Group of the nature and sources of our data base uncertainties—subaggregated to the division/regiment level wherever feasible—is perceived as a priority requirement for the Community.*

The extent to which the West can fully exploit the MBFR negotiating opportunities occasioned by the Soviet's recent tabling of data will, of course, also depend on the ability of the Community to mobilize its resources toward strengthening the informational and analytical bases for its estimates of Eastern force levels in the reductions area. Hence, users urge that increased emphasis be placed on:

- Clandestine collection programs in Eastern Europe.
- Data exploitation/analysis by NPIC and NSA.
- Development of improved analytical methodologies for order of battle problems.
- Full and timely analytical coordination of emigre/defector and satellite-derived intelligence.

* In this regard, however, corresponding efforts are being made to persuade MBFR policymakers and negotiators that (1) the discrepancies between Western estimates and the East's tabled numbers probably result chiefly from different counting rules, not intelligence error, and (2) the nature of the process for estimating the manpower of conventional forces may preclude computation of the sort of mathematical uncertainty statements for which the consumers have asked.



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Finally, it has been noted that CIA personnel have traditionally served as the DCI's representative on Verification Panel Working Groups. This has led to the suggestion that consideration be given to expanding the membership to include a DIA representative, rotating these assignments between CIA and DIA personnel, or designating an appropriate NIO to be the Community's spokesman.

Soviet and Warsaw Pact Military Capabilities

Current Products

Most Washington area consumers are satisfied that the Community is doing an excellent job in covering those traditional topics which are comparatively easy to analyze and/or which have enjoyed high visibility with policymakers (e.g., strategic forces order of battle and number of Soviet divisions). Indeed, the Community continues to make significant progress in its descriptions of overall Soviet/Warsaw Pact strategic and general purpose forces, weapons, strengths, organizations, and dispositions.* Consumers are also generally pleased with the Community's ability to respond to specific, ad hoc requests for information on these subjects with timely, high-quality intelligence; to support major continuing negotiations such as SALT and MBFR; and to report on headline-worthy changes in Soviet/Pact order of battle and equipment.

New Analytical Demands

Paradoxically, critical comments from users reflect these successes of the Community. Intelligence is increasingly expected to go beyond the quantitative measures of the past to the more



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difficult qualitative measures now perceived to be nearer the heart of force effectiveness assessments. The need for enhanced analytical sophistication in treating Soviet/Pact military matters is the logical outgrowth of the constantly increasing sophistication of Soviet forces *per se*, as well as Soviet/Pact progress toward achieving strategic/conventional force parity with the West. As a result, users want to see more reporting on such diverse issues as training, logistics, maintenance, and command, control, and communications. Also, the demand has increased markedly for analyses of Soviet/Pact strategy, tactical doctrine, and concepts of operation, and for integrative assessments of overall Soviet/Pact warmaking potential and their ability to project military power to distant areas. These demands will assuredly increase in the future. The recently completed Interagency Intelligence Memorandum, Trends in Soviet Military Programs, represents one attempt to address certain aspects of the requirement for a comprehensive analysis of these areas. The difficulties encountered in this undertaking are briefly outlined in pages 10 and 11 below.*

* This user demand for more sophisticated integrative analyses of Soviet/Pact capabilities for waging war-analyses which involve combining quantitative and qualitative data over a broad spectrum of political, military, economic, scientific, and technological concerns-is also frequently accompanied by a criticism of the IC in general (but of S&T components in particular) that the Community does not fully exploit the available expertise. Some major users feel the IC tends to consult only within itself or with contractors well known to it and with whom the IC feels "comfortable." Too much ignored are the knowledge and special competence which reside in government laboratories and in the operations staffs of the military services. As a result, IC products often appear to some users to be shallow (e.g., technical products on pulse power technology, Soviet ultra-low frequency wave research and development, and general East-West technology transfer issues).

The competitive analysis approach to NIE 11-3/8-76 (see page 9 below) is one response to this kind of criticism. Additionally, DOD's DDR&E is prepared to lend material assistance to a program of personnel exchanges between the IC and various laboratories to increase the flow of communication between the military R&D community and the IC. Certain elements of DIA and CIA are also striving to develop a mutually beneficial relationship with the US Army's Training and Doctrine Command to identify and fill gaps in knowledge on both sides and to better identify the needs of major intelligence users. Similar undertakings by other elements of government should be encouraged.

Resource Allocation Problems

Such requirements for newer types of sophisticated analyses are straining the Community's capacity to redirect scarce analytical talent while, at the same time, continuing to deliver a high volume of good analysis of the traditional style which is still in demand.

The Community's experience with MBFR is instructive in this regard. The high-intensity efforts to develop data bases for these negotiations have had the attendant impact of siphoning off Community resources from other significant analytical/production matters, such as the more qualitative, non-MBFR aspects of Warsaw Pact forces, which are important for net assessments. For example, from the time MBFR negotiations began in earnest in 1972 until early 1976, CIA/OSR's Theatre Forces Division was prevented from carrying through its research program on trends in Soviet military doctrine and force development, primarily because of the concentration of its limited pool of analysts on MBFR support. This illustrates the clear need to establish a fuller understanding between users and producers of the resource trade-offs required to meet national-level priorities for intelligence on Soviet/Pact military capabilities.

The Warsaw Pact NIE

Related to the foregoing, the user-producer debate which followed the publication of NIE 11-14-75, Warsaw Pact Forces Opposite NATO, 4 September 1975, has had the salutary effect of achieving better understanding of basic user needs for general purpose forces intelligence.* The debate has also served to illuminate several significant issues regarding the NIE process that seeks to address these needs.

The criticisms of NIE 11-14-75 were in four general categories:

- Scope and Format. Some users at the NSC Staff, State, and OSD believed that 11-14-75

* For a detailed treatment of the 11-14-75 debate, including a summary of the producers' responses to the user criticisms noted below, see Review of National Intelligence, Vol. 2, No. 1, August 1976, TOP SECRET/SI/NOFORN, TCS 890158-76.

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was too narrow in scope and lacked adequate documentary detail. On the other hand, some users in OJCS and OMB were favorably impressed by the brevity and compactness of the estimate.

- Omission. Some users felt that 11-14-75 failed to come to grips with a number of major issues, either avoiding them completely or "papering" them over.
- Evidence and Supporting Rationale. Some high-level users thought that 11-14-75 offered inadequate rationale and evidence in support of its analyses and judgments.
- Uncertainties and Data Limitations. Critics contended that 11-14-75 failed to consider fully the inherent uncertainties in the analysis of data on Soviet exercises.

Nevertheless, there is widespread user recognition that this NIE has had a significant impact on our understanding of Soviet concepts for the initial employment of Pact forces and the timing of reinforcements from the USSR. The NIE has also directly affected DOD force planning and programming deliberations regarding NATO's posture and concepts of operation.

Several insights and suggestions were generated by the NIE 11-14-75 experience which have potential benefits to both users and producers of major national military intelligence estimates. First, users vary so much in both their needs for, and access to, intelligence that no single NIE format can satisfy them all. Nonetheless, greater effort might be made to involve major users more directly in at least the Terms of Reference stage of an estimate's development. Further, a bibliography of major contributing sources of intelligence might be annexed to assist users inclined to do additional reading. Another aid to enhancing the usefulness of NIEs would be a summary keyed to paragraph numbers to make the contents of the estimate more accessible, and a summary of the main trends of the estimate to highlight the new or most significant findings of

the paper. Finally, once the estimate had been published, its producers could form a briefing team whose task would be to inform a wider audience of the main points of the estimate and answer questions directly. Giving the briefing team exposure to user concerns and questions would be a significant side benefit.

Net Assessments and Net Technical Assessments

Senior officials were almost unanimous in seeing a need for more national (vice departmental) net assessments—particularly assessments of such critical, complex matters as the US-USSR strategic and naval balances and the NATO/Pact central front balance—as a means of gaining perspective on Soviet/Pact military capabilities and clarifying the options available to the US and the consequences of certain choices. There is, however, much more diversity of opinion as to the feasibility of "netting" these major force balances, who should do it, and how it should be done. Users and producers generally agree that the IC should not be the primary net assessor. The IC should certainly supply the "Red" data. The DOD should supply the "Blue" data, and some think a DOD agency should do the actual assessment. However, most consumers and producers consulted believe the US would be best served with the least possibility of bias by an independent interagency group established for the purpose, including IC, OSD and/or JCS representatives.

With regard to net technical assessments—weapon system interaction analyses such as Soviet ICBM capabilities to destroy Minuteman silos—it is generally agreed that the Community has an increasingly important responsibility to perform these assessments and explore ways to improve the attendant analytical methodologies and techniques.

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major issues it is addressing, or whether this approach should be applied to other military estimates in the future. Both the A team (inside Community) and B team (outside Community) were scheduled to complete their drafts in November 1976. In any event, the Community's administrative, financial, security, and intelligence support to the B team of outside experts has been outstanding.

The competitive analysis experiment has succeeded so well thus far because it has had heavy support from the top levels of the IC. If the results of this experiment justify further efforts along these lines, it will require much closer and earlier attention to administrative and bureaucratic details. Moreover, a conscious effort will be required to prevent the quality of future B teams or their analyses from falling off once the glamor of the experiment has diminished.

The Soviet Backfire Bomber

The widely publicized controversy regarding the Backfire bomber that has raged both inside and outside the Community over the past few years has been of considerable concern to major users. It has been cited as a specific example of the more general problem wherein the various IC agency positions on an issue often become "set in concrete" too early—before all data can be collected and analyzed—with a resultant inflexibility that can complicate the national policy-making process. In this case, the Backfire controversy may mean that major US policy decisions (e.g., those in relation to SALT) will have to be made without benefit of an agreed, high-confidence Community assessment of the bomber's performance and mission. There is no way to preclude in all cases seemingly disruptive argument over vital but uncertain intelligence issues that relate directly to contentious policy issues. Suppression of argument would surely be unacceptable. But cases such as the Backfire indicate the desirability of

- Identifying potentially controversial issues before they become highly "politicized," and

The Competitive Analysis Experiment for NIE 11-3/8-76 (Soviet Forces for Inter-continental Conflict Through the Mid-1980s)

At the recommendation of the PFIAB, the Community is currently engaged in a substantial effort to develop competing analyses of three significant issues pertaining to NIE 11-3/8-76: Soviet ICBM accuracy, Soviet low-altitude air defense effectiveness, and Soviet strategic policy and objectives. While the concept of the experiment has been generally well received by users, it is not yet possible to determine the extent to which it will yield valuable new insights on the

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- Developing agreed Community collection and analytic strategies for minimizing uncertainties and clarifying disagreements.

Broad Trends in Soviet Political-Economic-Military Strategy

There has been no National Intelligence Estimate on overall Soviet strategy since 1972. Prior to that time, the United States Intelligence Board made at least an annual effort to prepare an estimate on Soviet objectives and strategies. This effort often was accompanied closely by an estimate of Soviet military goals, which attempted to provide an understanding of the interaction between Soviet national and military strategies. With the demise of the Office of National Estimates, the creation of the NIO system, and a general trend toward IC resource economy after 1972, the IC moved away in large measure from the annual NIE on Soviet objectives and strategy. The estimative focus became narrower as the IC generally attempted to provide shorter, crisper analyses of greater potential use to national decisionmakers.

Since 1972 the IC has undertaken several assessments which touch on the broad topic of Soviet policies and often are cited as substitutes for a definitive NIE on Soviet policies and strategies:

- National Intelligence Analytical Memorandum 11-9-74, *Soviet Detente Policy*, 23 May 1974, is generally seen as an adequate treatment of the evolution of the USSR's detente policy and its durability as a broad framework for Soviet international behavior. NIAM 11-9-74, however, is often criticized for failing to attempt a detailed analysis of detente's impact on the USSR's major foreign policies.
- NIE 11-5-75, *The Soviet Assessment of the US*, 9 October 1975, was an examination of the Soviet assessment of US strengths and weaknesses as they affect the international "correlation of forces" and US attitudes toward the USSR in the context of detente.

Neither NIAM 11-9-74 nor NIE 11-5-75 was intended to be a comprehensive assessment of broad trends in Soviet strategy, although users often have tried to use both products in the broader context. Fed by dramatic domestic and international developments, the growing desire, particularly within DOD, for an "old-style" National Estimate on Soviet objectives and strategies surfaced at the highest levels of the IC earlier this year.

In February 1976, the Assistant Chief of Staff for Intelligence, US Army, formally requested that the national intelligence estimative community take an up-to-date look at Soviet long-range objectives and the role of military policy in support of Soviet goals. In April 1976 the Director of the Defense Intelligence Agency expressed his concern over the lack of an NIE on the full range of Soviet military capabilities. He requested that such an estimate be undertaken annually. The IC attempted to satisfy both DOD requests by preparing a single estimate, NIE 11-4-76: *Trends in Soviet Military Policy and Programs*. This estimate was to focus on Soviet military policy and deal with ideological, political, economic, and other factors as they related thereto.

It became apparent early in the formulation of this estimate that there were at least two different views of what it should be:

- A summary of key judgments and quantitative data from other estimates of Soviet military capabilities (11-3/8, 11-14, 11-15, etc.).
- The above, *plus* an analysis of Soviet military strategy vis-a-vis the US, particularly whether the USSR is attempting to gain "military superiority."

The IC's effort stalled in institutional haggling and substantive debate over the need for an analysis of Soviet objectives. The NFIB finally decided:

- To eliminate from the paper any overall assessment of Soviet national goals.

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- To publish the paper as an IIM.
- To defer until after completion of NIE 11-3/8-76 the publishing of an estimate of Soviet national goals and the role of military power in achieving these goals.

In order to meet the requirements of NSSM 246, this new NIE 11-4-76 was subsequently re-scheduled and will be issued in mid-December 1976.

An additional consideration in this regard is that there are sharply divergent consumer views on the national need for such broad assessments of trends in Soviet political-economic-military strategy. Some high-level users, primarily within the NSC Staff and State Department, see no compelling requirement for such a product. These users tend to view this sort of broad assessment as estimative intelligence in the "brandy and cigars" mold, contributing little beyond the insights available from academic and open source research or from the users' own range of personal expertise. Other high-level intelligence users, primarily within the Defense Department, argue that domestic and international developments since 1972 urgently dictate a new definitive estimate on trends in Soviet strategies and that it should include an assessment of the impact of these trends on US interests and objectives.

Beyond the issue of the national need for assessments of broad trends in Soviet political-economic-military strategy, the question of how such analyses should be done also must be addressed by high-level decisionmakers. As in the debate over the conduct of national net assessments, there is disagreement over whether these efforts should be undertaken solely by the IC or by an interagency group more capable of examining the US policy implications of the assessment.

IC Anticipation of User Needs

A frequent criticism voiced by users of intelligence on the USSR/Eastern Europe is that the Community should do a better job of anticipating user requirements in this area. While acknowledging the difficulties of satisfactorily responding to such a wide consumer audience with such disparate (and inadequately communicated) informational needs, users express some concern over what they perceive to be a too-passive role being played by elements of the Community.

As an example, the question was asked why SNIE 11-6-76, *Implications of the 1975 Soviet Grain Harvest*, had to be initiated by a request from the NSC. Further, there is the feeling that the Community was somewhat deficient in anticipating that Soviet civil defense would become a major analytical issue by the end of 1975. Note was also taken of the developing need to study the Soviet SS-X-16 and SS-X-20 missile programs to determine what impact the similarity of these two systems might have on the Soviet ability to deceive the US concerning the deployment and capabilities of these missiles.

Clearly, IC agencies, singly or through various coordination mechanisms, have a responsibility to anticipate such specific user needs and more generally attempt to predict Soviet actions in contingencies and crisis situations which may arise. A corollary to this, however, is that the needs, contingencies or potential crises must be defined with reasonable care, and there must be sufficient time to do the requisite analysis. These two desiderata depend primarily on the attitude, perceptiveness, and skill of users. While producers can hypothesize numerous contingencies and user needs, the range of possibilities must be limited by the user to avoid wasting analytical resources. Further, insofar as possible, users must prioritize their needs, indicate what contingencies they are really worried about, and recognize the inherent limitations of intelligence in answering their questions.

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ANNEX B

EAST ASIA

General

For intelligence purposes, most of East Asia does not receive the high priority associated with other areas such as the Soviet Union and Warsaw Pact. Nevertheless, high level users generally agree that intelligence reporting and analysis on East Asia has been adequate given the nature of the collection problem in such closed societies as Pyongyang and Peking. Most users recognize the difficulty of obtaining good, reliable information on Chinese affairs and the corresponding weakness in the Community's ability to cover PRC domestic political developments. Users encourage the Community to continue working on the problem and also express a need for greater collection and analytical effort on North Korea and Southeast Asia, especially Vietnam.

Intelligence Community resources have understandably shifted away from Vietnam, and the result is a drought of information on Hanoi's international intentions, likely courses of action, and future negotiating strategies. State Department users and the NSC Staff believe that such political intelligence reporting and analysis will be of considerable interest when and if the US chooses to adjust its Vietnam policy. Such studies probably will require improved information. All users perceive a need for much more information and analysis on North Korea's foreign policy, intentions toward South Korea, and internal political developments.

Minor areas of user dissatisfaction in this area include: disappointment in the reporting related to US negotiations for base rights with Thailand (inaccurate data) and the Philippines (paucity of

information collected on Manila's intentions related to US base rights), and the IC's slowness in assessing the implications of some current events such as the likely political impact of the [redacted] PRC military exercises along the Formosa Strait during the early summer of 1976. With respect to the US

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On foreign policy matters, users give highest marks to State Department cables and CIA clandestine reports. Most higher-level users indicate that they rely more heavily on raw political reports related to East Asia than on finished current intelligence or research studies. Covert

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Users also note a troublesome lag between the time that a development, such as the fall of PRC Vice Premier Teng Hsiao-ping, was treated in

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current intelligence publications and the time that in-depth analytical work appeared on the same subject. Some characterize this problem as the "OCI-OPR gap."

Major Regional Issues

North Korea-South Korea

The areas of priority interest concerning the Koreas are (1) North Korean internal political developments and foreign policy, and (2) the military balance and possibility of hostilities. The first concern is primarily a high-priority interest for State Department officials and the NSC Staff, while the military balance issue understandably is of particularly high interest to the Department of Defense.

In general, users are less than satisfied with both the intelligence reporting and analysis on North Korean domestic political developments, diplomatic strategies, and international intentions. Users profess to appreciate the difficulties posed by the collection environment in North Korea; nevertheless, they believe that the Community still has more to do in "pulling all the pieces together" in analyzing intelligence information on North Korea. Of all the East Asian requirements, this is the one in which users feel that more money and effort should be allocated for collection and analysis. Of particular importance is the acquisition of a few *key* North Korean intelligence experts of a quality as high as some of the China and Soviet specialists. A thorough and definitive assessment of North Korea's foreign policy and activities is needed by all users, with special focus on all the different actors in Pyongyang—with their various institutional perspectives. Treasury officials note the need for more analysis of resource allocation in North Korea and for more study of the economic limitations imposed on major programs.

Users are more satisfied with the coverage of North Korean military capabilities than with the coverage of political and military developments. The military balance issue, as well as the

indications and warning problem, have been the focus of the Community's effort on Korea. Important Community contributions noted by several users included a memorandum on North Korean military developments, a DIA net assessment on the Korean military balance, and a USIB study group's report on Korean indications and warning.*

There was mixed reaction to the value of the DIA net assessment. It was useful for providing a comprehensive data base and answering a long-standing need for a Korean military factbook. It has been criticized for being a compilation of data with little or no insight and for failing to provide a real net assessment, merely listing relative strengths and weaknesses. In fairness to DIA, the study's shortcomings probably resulted from so many subjects having to be treated in a short period of time. The other two assessments were well received and served to highlight North Korean military developments and the difficulty of warning against a North Korean surprise military attack.

Assessments of intelligence support during the Panmunjom incident during August 1976 varied from adequate to excellent. NSC Staff and DOD users, however, were concerned about the Community's differing assessments as to whether the North Korean attack on the UN officers was deliberate. A national task force was established to produce National Intelligence Situation Reports during this crisis, and NSC Staff and other users were generally satisfied with these reports. One of the recurring problems encountered by the IC and the national task force during the Panmunjom incident was the poor flow of State Department and Joint Staff (DOD) information into intelligence channels. Both were reluctant to release information which was regarded privileged—information which had been available

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only to the President or his designated representatives. Some DOD users at the JCS level believed that the Community could have done a better job in determining whether the North Koreans were dropping, increasing, or holding their readiness posture.

Several users indicate that intelligence reporting on South Korea has improved within the past year but that emphasis on collection and analysis needs some modification. Users note that collection has increased somewhat, but analytical results have not yet surfaced. There is an abundance of information on the human rights issue. What should be of analytic concern is South Korea's morale—civilian and military. A modest beginning was a DIA Intelligence Appraisal on army morale.* On the other hand, users consistently cite technical reporting and analyses as being good, with data on South Korea's nuclear intentions and its missile programs being particularly useful.

In sum, there is more the Community can do in anticipation of users' needs. Meaningful improvement, however, will be dependent on breakthroughs on collecting intelligence against North Korea. Increased analytical efforts should be considered on political, military, and economic developments in North Korea and their affect on domestic and foreign policy. Users feel that reporting on North Korea's military should continue to enjoy high priority, with a closer look given to trends and developments, intentions toward South Korea, and what Pyongyang's strategies are likely to be in achieving its objectives. Of potential interest is the impact of possible US force posture changes in South Korea—what they would mean for the military balance, for foreign and domestic Korean policy, for proliferation of nuclear weapons in Northeast Asia, and for key nations in East Asia. On South Korea, additional reporting on major groups (such as military leadership) and an assessment

* DIA Intelligence Appraisal, *Republic of Korea Army Morale*, 18 August 1975, [redacted]

on South Korea's national morale would be extremely helpful to many policymakers.

China and Taiwan

The priority interests concerning China are the stability of the post-Mao succession, PRC intentions toward Taiwan, and the attitude of Peking toward Moscow and Washington since Mao's death.

Most users rate the intelligence reporting and analysis on the power struggle in Peking as good given the nature of the problem. Despite reporting on a power struggle in China and on veiled attacks against Teng Hsiao-ping and Chou En-lai, users and intelligence analysts were



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was judged good, providing comprehensive and informative "after-the-fact" studies.

The inability of the IC to foresee such an event as the fall of Teng Hsiao-ping is a common criticism of the Community. However, many senior-level users (e.g., NSC Staff and Country Directors at the Department of State), who understand the limitations of intelligence, are not especially critical. This, however, does not lessen their desire for timely and quality intelligence reporting on such difficult targets as the closed societies in China and North Korea.

In sum, users judge intelligence reporting on internal Chinese developments as generally satisfactory. Users believe there are enough China analysts, and they do not believe additional analytical resources would improve the product. The need is for better sources of information and a carefully focused analytical effort on the critical political, economic, and technical developments in the post-Mao era. Several users feel

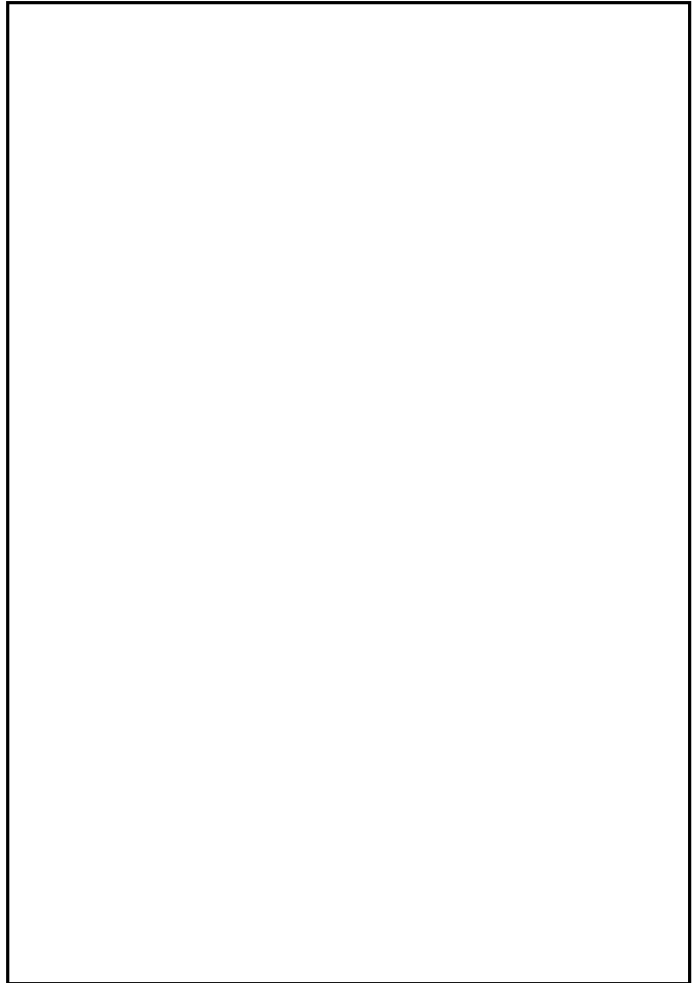
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that the role of the military has not yet been adequately addressed, and they cite an urgent need to differentiate among military leaders to better understand how individuals may line up. (The IC has, however, recently published NIE 13-3-76, *PRC Defense Policy and Armed Forces*, which addresses the role of the military in politics.)

The question of PRC intentions toward Taiwan, is still of high concern. A particularly noteworthy Interagency Intelligence Memorandum, *PRC Military Options in the East and South China Seas*, dated December 1975, addressed this problem and provided an assessment in advance of the unusual PRC military exercise activity across from Taiwan during the early summer of 1976. Several users (NSC Staff, State, DOD) criticized the Community for not providing a timely assessment during the early stages of those exercises as to whether they were exercises, war preparations, or a "signal" involving Taiwan. (However, it should be noted that the data base was "soft" and to have adopted a definitive interpretation would have ignored the ambiguities.) Once the Community focused on the PRC military activity, users noted that the reporting improved and indicated that some of the most comprehensive and best analysis came from DIA. Users report that they still do not have a thorough appreciation of what took place, but the Community has followed up with another Interagency Intelligence Memorandum, *The Implications of the Recent PRC Military Activity in the Taiwan Strait Area*, which assesses the meaning of the exercises in terms of PRC intentions toward Taiwan.

Intelligence reporting and assessments on the prospects for, impact and meaning of, Taiwan's development of nuclear weapons and procurement of advanced non-nuclear weapons from the West is considered good by most users. They note this information was helpful in supporting their decision-making responsibilities.



Vietnam

Vietnam is still a priority issue for those who will have to determine policy and negotiate with Hanoi on economic issues and normalization of relations. In the aftermath of the fall of Saigon, intelligence resources probably were shifted away too quickly with the result being little reporting and analysis on Hanoi's goals in both Indochina and the East Asia region. But policymakers have expressed a growing need for a better grasp of Hanoi's domestic and foreign policies that would affect US interests in Southeast Asia and negotiation strategies. This analytic need cannot be filled with the present collection posture, and the Community's resources devoted to Southeast Asia may have to be reassessed to satisfy these anticipated user requirements.

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East Asia

The Community tends to examine problems in East Asia on a country-by-country basis. Several users (NSC Staff, State, and DOD) have cited the need for a "regional" look, especially in the economic and security fields. Key questions which they believe would be useful research topics include: How do the economies of East

Asian nations interact? How will Southeast Asia developments affect US interests? How are US interests affected by Northeast Asian developments? What is the meaning of Soviet force developments in Asia? [redacted]

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economic and politico-economic developments affect US policy interests?

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ANNEX C

MIDDLE EAST

General Comments

Of utmost importance in recent years has been the need to focus intelligence efforts in the Middle East: first, on issues related to a peace settlement, giving major emphasis to the politico-military dimensions of the complex Arab-Israeli equation; second, on threats, both internal and external, to the political stability of key countries there; and third, on the activities of major oil exporters, especially as they pertain to US international economic policy decisions and negotiations. The purpose of this focus was an attempt to provide policymakers with reliable, timely, and comprehensive information and assessments on political and security situations or crises significantly affecting US interests or requiring US action.

Users generally agree that intelligence support on the Middle East covers most issues in a meaningful and effective manner and is received on a timely basis. This support has improved noticeably since the 1973 Arab-Israeli war, providing the policymaker with intelligence information and finished intelligence generally responsive to his wide-ranging needs. Despite overall user satisfaction with the Community's performance, several problems have been identified which, if effectively addressed, would significantly improve this performance: the need for a better dialogue between user and producer, the excessive volume of current intelligence, and the need for more in-depth analyses.

Most users believe that the focus and relevance of the intelligence output to policy could be

sharpened appreciably by improving contacts and the dialogue between policymakers and the IC.

Intelligence information and current intelligence reporting concerning the Middle East is more than ample—even voluminous. It covers the gamut of political, military, and economic subjects and generally is received in a timely fashion. Coverage of the fast-moving and complex Lebanon crisis has been rated especially effective. However, a number of users believe that the plethora of reports cannot be properly digested. Others believe that disproportions exist in current intelligence: (a) excessive reliance on official rather than unofficial sources, [redacted] raising the possibility that the US is getting a distorted or partial view of long-term developments; and (b) the tendency of field reporting to focus on the Arab-Israeli confrontation, at some expense to reporting on North Africa and much of the Persian Gulf.

Most users believe that the data base, despite gaps, is considerable and that there is a need for integrated, in-depth analyses by the field (including US diplomatic missions) and the Community itself. Users express varied views as to the desired format and content of such reporting: (a) trend reports on a quarterly or some other periodic basis, especially of fast-moving or highly complex developments; (b) background papers; (c) issue-oriented short-term and long-term analyses, especially of political and economic questions; and (d) NIEs and other interagency studies of a broad scope.

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Interface with the Intelligence Community

User evaluations of their interface with elements of the IC vary considerably—from frequent contacts to none. Users generally assess their relationships with the intelligence elements within their own agencies as good to excellent. Some users stated that the direct interface with other elements of the Community is limited or nonexistent. Many users have direct contacts with CIA elements,

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The prevailing view among most users is that more frequent and direct contacts are desirable, especially with the NIO, and that this would lead to a clearer view of user requirements and a better focus of the intelligence output on policy issues. Most users have very little direct contact with the NIO. While some users admit that they themselves are remiss in improving relationships with the Community, others believe that the initiative should come primarily from the Community. Several users suggested periodic, informal discussions among senior policy and intelligence officials. One user states that a formalization or institutionalization of this process would be preferable.

Current Intelligence

Most users believe that the high volume of field reports—attaché and agent reports, intercepted communications, and Embassy cables—and current intelligence products on the Middle East more than cover their immediate needs. In fact, it is widely acknowledged that current intelligence is making a major contribution in support of policy. Some of the specific areas cited are: Soviet activities in the Middle East, despite the difficulties in covering such areas as Iraq and Syria; the Lebanon crisis; and arms transfers.

However, many users believe that the flow of current intelligence, especially field reporting, is

so heavy that it cannot always be effectively digested. Some recommend greater selectivity, without necessarily impairing the quality and timeliness of current intelligence. But most users urge more analytical follow-up, particularly in pointing out trends and implications.

Users regard CIA and INR current intelligence analytical products as extremely useful, particularly on political and economic issues, while DIA products are helpful on military developments. However, many users (including Deputy Assistant Secretaries) acknowledge that they do not read periodic publications regularly—e.g., the Weekly Summary—although there is considerable interest on the part of economic users in CIA's economic and oil publications. Some users state that important items in these and other publications are frequently condensed and flagged for them by their staffs.

NIEs and Other Intelligence Community Area Analyses

Several users believe that the latest NIE on the Middle East (NIE 35/36-1-76, *Middle East Military Balance, 1976-1981*) is vastly improved over earlier estimates. This NIE was well integrated, used a broader data base, and covered pertinent issues comprehensively. Most important, it made realistic judgments while avoiding impossible predictions. While a number of users in State did not read the estimate, they reported that INR had advised them that the Estimate was an overall improvement, despite some weaknesses.

A number of users state that some basic weaknesses still exist in interagency analyses. Some complain that estimates still give the appearance of too much "drafting by committee," resulting in excessive compromise or blurring of issues and reluctance or inability to articulate clearly areas of honest difference. Others express strong interest in more extensive IC treatment of the political, economic, and sociological aspects of Middle East problems, although they recognize that the immediate and

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overriding factor contributing to instability in the region is the prospect of Arab-Israeli armed conflict and that intelligence assessments focusing primarily on military developments are therefore needed.

Many users acknowledge that highly sensitive information available only to a few high-level policymakers can and does have a bearing, but not a critical one, on intelligence assessments. While recognizing that the problem created by sensitive intelligence probably cannot be completely resolved, several users suggest that greater direct contact between senior policymakers and the Community could reduce the impact of restricting dissemination of assessments involving sensitive information.

Users generally feel that the production of military intelligence has improved considerably, both in terms of current and basic analyses. Indeed, no major substantive gaps on purely military issues have been indicated by the policymakers.

Users generally believe that political and especially economic analytical production have improved. [redacted]

[redacted] long-term assessments of trends in the Arab world, CIA economic studies, trade data on the less developed countries, and CIA information on OPEC investments abroad. For example, information developed by technical means two years ago suggested that OPEC investments in the US amounted to over \$1 billion more than was indicated by the reports of US banks to the US Treasury.* This resulted in a change in Treasury's reporting requirements.

As previously noted, users generally agree that collection of intelligence information and production of current intelligence on the Middle East is ample and timely. However, some users

ask for more economic, sociological, and manpower data. Most users believe that this intelligence information should be used to produce more follow-up analyses, trend analyses, integrated studies, and projections of political, economic, and military trends. While it is difficult to develop any clear order of priority, given the diverse interests of the policymakers, most users place high priority on integrated analyses of political, military, economic, and sociological dynamics and institutions [redacted]

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ANNEX E

INTELLIGENCE SUPPORT TO INTERNATIONAL ECONOMIC ACTIONS OF THE US GOVERNMENT

General Comments

Economic users are generally pleased with the output of the Intelligence Community. The timeliness, quality, and coverage of the economic intelligence provided range from good to excellent on most topics.

Most intelligence in the economic area has consisted of current intelligence and ad hoc analytic reports on subjects of near term interest to policy officials. There has been relatively little demand from economic policymakers for long term studies. On the other hand, it is widely felt that more multi-disciplinary, integrated analyses of current political and economic developments and trends are needed. Interface between users and producers of economic intelligence has vastly improved in recent years, but most users believe further consultation at all levels would help ensure that the limited analytical resources of the Community are used to maximum advantage.

Unique Aspects of Intelligence Support to International Economic Policies

The success of the IC in producing economic intelligence which meets the needs of users results from a number of aspects unique to the production of economic intelligence: the nature of user demand, availability of data, the number of organizations involved in production, senior-level interest, and relations between Washington and Foreign Service posts.

User Demand

First, user demands have been largely for ad hoc analytic reports and field reporting on current topics and for current intelligence—an area where the IC has done reasonably well in recent years. Second, there is a generally good working relationship between the producers and consumers of economic intelligence. The consumers increasingly are alerting intelligence to the policy and negotiating issues requiring intelligence support and economic intelligence and field reporters have been very responsive in answering consumer requests. Third, while a significant body of economic material required by the policymakers must be acquired by the aggressive collection activities of State, CIA and NSA, much of the information required in this area, by its very nature, tends to be more openly available than in other fields, e.g., defense intelligence. This is the case even with the Communist countries, since dissemination of economic data is essential to the centralized planning process. The accurate and timely economic information needed by economic policymakers requires careful analysis of immense volumes of data available from both open and semi-overt sources throughout the world.

Users are very familiar with much of this unclassified material and in many cases are content to receive NSA, CIA/DDO, and embassy reports with little analysis. They themselves are willing to integrate intelligence reports with the

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information they already have at hand from other sources.

Organizational Arrangements

Most departments and agencies with responsibilities for international economic affairs have their own analytic resources within their various policy offices which provide them with the bulk of their needs for analytic support. Within the Intelligence Community, as strictly defined, CIA's Office of Economic Research (OER) is the principal producer of finished economic intelligence. Other DDI offices (Current Intelligence, Political Research, Geographic and Cartographic Research) also produce some, as do many embassies. State/INR produces a series of finished analytic reports on economic subjects related to the needs of State policymakers but also of interest to other elements of the economic community. CIA/DDO, NSA, and embassy reporting are often key sources for the production of finished intelligence.

OER in particular has long established direct contacts, formal and informal, with all the economic departments and agencies of the Government. These contacts are at various levels and help ensure that output is relevant to consumer needs. The Director of OER also chairs the DCI's Economic Intelligence Committee, which coordinates interdepartmental collection guidance on economic subjects and participates in the monitoring of economic intelligence production.

The Treasury intelligence unit provides an interface between producers and users. Members of this unit, in cooperation with CIA and NSA, provide briefings—daily in most cases and less frequently in others—to top Treasury officials. A senior OER analyst, detailed to Treasury's Office of National Security, briefs other members of the Economic Policy Board (EPB). These briefings provide policymaking officials an opportunity to request additional information or studies on subjects of interest. Officers in the Office of National Security—some of whom are on loan from State, CIA and NSA—also provide inputs to

analytic work of other Treasury officials. These arrangements, combined with OER's direct ties to its users, result in rapid, relevant producer responses to user needs and good feedback from users to producers. The Department of Commerce is considering establishing a similar intelligence liaison unit.

Senior-Level Interest

The Secretary of the Treasury in his role as head of the Treasury Department, Chairman of the Economic Policy Board (EPB), and as head of other interagency committees plays a key role in all US economic policy decisions, foreign as well as domestic. He has taken a personal interest in developing arrangements for ensuring more effective intelligence support. He has met with the DCI and has exchanged views by phone and correspondence. He has committed Treasury to providing CIA with whatever Treasury materials it needs to carry out its responsibilities (e.g., Treasury briefing books, memcons, Treasury analytic reports, etc.). In November, 1976, the DCI and the Chairman of the President's Foreign Intelligence Advisory Board (PFIAB) met with the Secretary and the EPB to evaluate intelligence support to the economic policymaking community and to recommend means for improving this support. A report based on these discussions together with certain recommendations is in preparation.

The PFIAB has taken a strong interest in intelligence support to economic activities and has submitted various reports and recommendations on this subject to the President.

Relations Between Washington and Posts Abroad

The quality of finished economic intelligence depends to a considerable degree on the quality of reporting from US embassies. Useful reporting in turn requires that Washington make its needs known to economic officers in the field. Basic guidance is given by an instruction to each post called the Comprehensive Economic Reporting Program (CERP). This is supplemented by an

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Evaluation of Intelligence Support to Economic Policymakers

Positive Reactions

Economic users are generally satisfied with the output of the IC. For the most part, they find it a useful and timely supplement to the mass of economic information and reports available from other sources. Most of the material that policy consumers require is prepared by their own staffs. Within the Intelligence Community, as strictly defined, most of the finished economic intelligence is provided by OER/CIA.

OER attempts to fulfill three major functions: (1) to act as a research service, (2) to monitor foreign economic trends, and (3) to provide a source of independent foreign economic assessment for policymakers. Its two principal periodic publications are:

- *Economic Intelligence Weekly*. This widely circulated secret publication usually includes a half-dozen articles placing major economic developments in perspective, plus shorter notes on items of current interest. Attached to this publication is "Economic Indicators," an unclassified compilation of charts and tables providing up-to-date information on the domestic and external economic activities of major non-Communist developed countries, as well as price trends for major agricultural products and industrial materials. This publication is generally well regarded by consumers.
- *International Oil Developments (IOD)*. This bi-weekly publication is usually classified "SECRET." It assesses price and production policies of the OPEC countries, outlines major energy developments in the rest of the world, and often contains articles on nuclear and other non-oil sources of energy. An unclassified "Statistical Survey" attached to the IOD provides the latest available data on worldwide production, stocks, trade, and prices of oil, as well as some data on natural

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gas. Many officials concerned with foreign economic policy regard this as one of the most useful publications in Washington.

OER also produces a wide variety of research studies, memoranda, and notes, some of which are unclassified, including some on Communist countries. In the second quarter of 1976, for example, OER completed 24 self-initiated studies, of which half were on Communist countries. During this three-month period, it also responded to 120 formal requests from 17 government departments and agencies, as well as the Congress. The requests came from all levels of the bureaucracy, ranging from the Vice President to desk officers in State, Treasury and Commerce. Somewhat less than one-third of the requests were for information on the Communist countries, with many on oil and the Middle East. Users are generally pleased with the response to their requests.


The *National Intelligence Daily*, a highly classified roundup of major current developments by OCI, in cooperation with other IC organizations, is considered useful by the relatively small number of senior officials to whom it is distributed. Treasury has felt that its contents were not always timely and sometimes omitted developments of interest to economic policymakers.

The *Weekly Summary*, another OCI product, has been described as "not a busy man's publication." On the other hand, the longer articles now do include a brief summary. If not generally required reading for top officials, the *Weekly* does provide useful assessments to staff-level officers of the political and economic scene in individual countries. "Staff Notes," a group of publications prepared for regional specialists of the Washington community on current intelligence subjects, performs a similar function.

CIA's response to requests for current economic intelligence for the preparation of briefing and background papers for top officials is generally considered excellent. Specific examples cited by users include support for the two economic summit meetings (in France and Puerto Rico)

and for trips by Secretary Simon to the Middle East, Latin America, and Eastern Europe. White House staff personnel also state that they can count on an independent, objective assessment from OER to balance departmental bias on some economic issues.

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Some Problem Areas

Many users feel that the high classification of some economic intelligence substantially restricts its usefulness. Particularly in large departments—Treasury, Commerce, and to some extent State—most staff personnel do not have special intelligence clearances. The result is that they occasionally write briefing papers for top officials without being aware of certain important facts, though senior supervisors usually have access to much of the information that is missing. This problem could be alleviated by (a) having more people in the policymaking departments cleared for access to compartmented intelligence and (b) by having the producers in the Intelligence Community sanitize certain of this information and reduce its level of classification.*

Although the Community has done well in meeting the needs for current economic intelligence, policy decisions on economic matters must also take political factors into account. More integrated political-economic analyses of current developments and short-term trends are needed. Some NIEs provide an integration of economic factors with political, technological and military elements. Most NIEs, however, have little in the way of economic content. One user has noted, for

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* See page 17, Volume I, *Some Systemic Problems in satisfying user needs*, for further discussion of compartmentation of intelligence.

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Increasingly, it is difficult to gain an adequate appreciation of critical situations abroad without understanding the interplay between the principal economic and political forces. Some producers and users argue, however, that an economic input is not essential to the purpose of every NIE dealing with political developments.

Some users were concerned that summary NSA reports may be misinterpreted. They often give the appearance of being analytical even though they rely essentially on a single source of information; moreover, some users feel the drafter of NSA reports is normally not an expert in the field he is writing about. Despite this, consumers value NSA reporting and find summaries such as those on the Middle East and on energy developments useful and timesaving.

Several users feel that the Community has not given adequate support to the continuing series of meetings related to North-South or Less Developed Country (LDC) issues. Information has often been lacking on the positions of particular countries, the way in which the LDCs

reach a consensus, and the extent to which LDC representatives are bound — if at all — by instructions of their governments. While adequate information on some commodities produced by LDCs is available, additional analysis of production, trade, and price trends of other commodities would be helpful. One suggestion which appears to have considerable support among policy officials is for a periodic publication by OER of a commodity review similar to its "International Oil Developments."

There is general agreement that the interface between consumers and producers of economic intelligence has greatly improved in recent years, but a number of users felt there was need for further improvement. Many consumers lack knowledge of what they can and cannot expect to obtain in support from the Intelligence Community. Users acknowledge that they often criticize the intelligence product without bothering to convey their views to the Community. More two-way communication continues to be needed, with some careful thought given to the development of procedures to avoid the increased interchange from becoming unduly time-consuming for either side.

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ANNEX F

REQUIREMENTS FOR INTELLIGENCE RELATED TO WARNING, CRISIS AND WARTIME OPERATIONS

As a crisis passes through various possible phases, ranging from a minor isolated incident to a nuclear war, the kind of intelligence required to support the decisionmaking process varies. The Community attempts to provide adequate information about situations and developments so that decisionmakers can take actions to prevent crises. If the US is unsuccessful in preventing or avoiding a crisis, the Community attempts to provide timely, accurate information about current or impending actions of foreign countries which could affect the crisis, to support US political, diplomatic, and military efforts to contain the crisis and safeguard US interests. Should the crisis escalate to armed conflict involving US forces, national intelligence assets must provide increased support to military commanders. However, especially in a major US-USSR war there are important national needs for intelligence that must continue to be satisfied. The President, NSC, and JCS must make decisions, for example, on the strategic disposition of forces, the use of nuclear weapons, political and possibly military actions regarding countries not directly involved in the conflict, and means of moving the conflict from the battlefield to the negotiating table. Throughout this spectrum of warning, crisis, and war, intelligence organizations must be able to make smooth transitions from one stage to the next, balancing national and tactical needs and maintaining flexibility to respond rapidly to demands which are difficult to predict in advance of a crisis or war.

To produce timely and complete intelligence of greatest benefit to decisionmakers in a crisis or

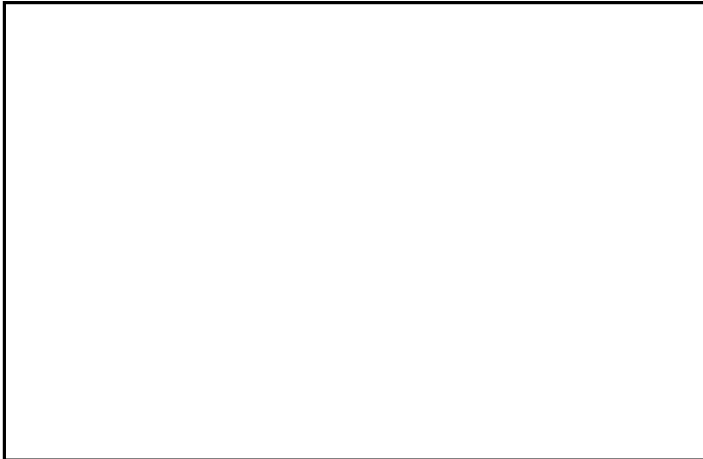
war, the Intelligence Community must also receive information reflecting US decisions and actions. Without such feedback, the Intelligence Community cannot properly assess foreign actions in a rapidly developing situation, particularly actions which respond to US actions or diplomatic signals. Advance notice of US actions or signals allows the Community to ensure that collection assets are positioned and alerted for immediate observation of foreign responses. Thus it is clearly in the decisionmaker's interest to inform the appropriate Community elements of US intentions, decisions, and actions so that intelligence support can be properly focused during the deliberative phase of these evolutions, as well as to improve the accuracy of intelligence assessments in subsequent cycles of the crisis. The Community must protect such information concerning US operations and policy deliberations as it does other highly classified information.

To support this process of interaction, it is necessary to establish effective communication systems and procedures to provide the timely exchange of information among all elements of the government which have responsibilities bearing on the crisis situation. Such communications will facilitate the convergence of critical information and its coherent analysis, including dissenting views, for presentation to decisionmakers.

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the Intelligence Community's warning apparatus with those other US organizations sharing responsibility for marine safety.

- A directory is being compiled of all US Government watch and operations centers, both here and abroad, to improve communications among concerned government elements during crises.
- A revised and expanded DCI Directive (DCID 7/1), *Handling of Critical Information*, clarifies and improves the procedures governing the recognition and transmission of this critical information, via appropriate operations centers in the Washington area, to senior government officers.
- A *Handbook of Standard Operating Procedures for the Reporting of Critical Information* has been developed. This expands on DCID 7/1 and provides detailed procedures for handling critical information (CRITIC) messages. A condensed, unclassified version of these CRITIC procedures has also been prepared and given wide dissemination throughout the US Government.

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Recent Improvements in Intelligence Related to Warning

In recent years, the Community has taken better advantage of advances in communications and data processing techniques to improve warning and crisis operations. New procedures have also improved communications laterally, across both the Community and other elements of the government, as well as vertically with those organizations responsible for crisis decisions.

The accumulated experience gained over many years and in many crisis situations has taught the Intelligence Community some valuable, if costly, lessons on ways to improve the efficiency and performance of the warning process. Post mortems and other reviews conducted following such events as the October 1973 Mid East war, the Cyprus Crisis of 1974, and the Mayaguez Incident of 1975 have proved to be a most useful mechanism for identifying specific problems and deficiencies affecting the Community's performance and for recommending steps to remedy them. Following are some corrective actions taken by the Community within the past year.

New or Improved Procedures and Systems

- A number of special and improved procedures and systems were developed to provide warnings to US flag ships. These measures constitute the first effective means of linking



- A new computerized system, providing secure voice and visual text for remote conferencing, will become operational at the principal intelligence agencies in the Washington area in late 1976. This system, called CONTEXT (Conferenced Text Editing), will facilitate analysts' preparation of time-critical intelligence products, such as crisis situation reports, and will also permit emergency meetings (including those of the NFIB) to be convened remotely.

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Improved Coordination and Responsiveness of Technical Collection Systems During Crises

- Planning has been completed to provide for the rapid tasking and redirection during crises of a new collection system which will become operational in late 1976.
- The Defense Department's Collection Coordination Facility, which is expected to become operational late this year, will permit consolidation of DOD time-sensitive requirements and more efficient tasking of technical collection systems.

Improved Interface Between Policy/Operations Elements and the Intelligence Community.

- Periodic conferences of the heads of Community and non-Community operations/intelligence centers are encouraging closer cooperation among operational and intelligence elements to discuss and resolve matters and problems of mutual concern.
- National Intelligence Officers convene frequent interagency meetings of working-level analysts, collectors, and policy or operational officers to ensure that they all are familiar with current problems and activities affecting their areas of responsibility.
- The Pacific Command has established in Korea an all-source "fusion center," similar to the integrated operations center being established within NATO at Boerfink, Germany. The Korean fusion center collocates J-2 (intelligence) and J-3 (operations) personnel and provides operational data on US and allied forces for immediate use in the intelligence and warning process. The center provides more effective support to Commander, US Forces, Korea, especially during crises.
- Modernization of facilities of the National Military Intelligence Center (NMIC) and the National Military Command Center

(NMCC) and their collocation will, when completed, allow for closer coordination between the operational and intelligence functions of the military and permit more effective support to national authorities.

Improved Indications and Warning Capabilities and Alerting Mechanisms

- Revised procedures define responsibilities of the National Intelligence Officers and other elements of the Community for the preparation, coordination, and issuance of "*Intelligence Alert Memoranda*."
- Procedures have been approved for the issuance by the Strategic Warning Staff (SWS) of a Strategic Warning Notice whenever there is evidence that the Soviet Union, the Warsaw Pact, the People's Republic of China, or North Korea is considering military action beyond its borders.
- Procedures have been developed to produce for senior consumers during crises an all-source, Community-coordinated National Intelligence Situation Report (NISR). The first NISR was produced in August 1976 during the Korean DMZ crisis.
- Continuing efforts are being made to improve the presentation and display of indicator lists, particularly in high potential crisis areas such as Korea and Europe.

Major Long-Standing Problems

Despite the corrective actions described above, certain long-standing problem areas remain. Relatively little progress has been made on the long-standing and important problems of integrating intelligence with political and military crisis actions, improving the Community's abilities for early and accurate identification of impending crises, and establishing clearly the responsibilities of the DCI during crises and wartime.

One problem is the tendency of the intelligence, policy, and operational elements of the Government to restrict the flow of information to

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one another. Ingrained attitudes which exist within the Intelligence Community, the policy-making, and the operational components of the Government are largely responsible for this situation. The Intelligence Community, for example, is concerned that its product might be compromised and leans toward compartmentation to protect sensitive sources and methods. In some cases this has inhibited the timely reporting of important intelligence data to users, including those who may be required to take some preventive action because of the data. The same tendency exists among policymakers, especially in the State Department, where there is reluctance to disseminate some types of cables (NODIS and EXDIS) to other elements of the Government lest a leak of sensitive information undercut the Government's political and diplomatic efforts. The problem also manifests itself during crises when—as happens all too frequently—policymakers, special crisis task forces, or the military withhold information on options under consideration, planned actions, or approved operations. The result is that the Community has an inadequate basis for tasking intelligence collection assets for observation of foreign responses to US actions and is hampered in interpreting foreign actions because some may be taken in response to US actions. Moreover, when the Community is not aware of options under consideration and is not involved in staffing them, policymakers are not afforded an evaluation of those options from the Community's perspective on foreign viewpoints and capabilities.

Clearly, sensitive information, sources, and operational plans must be protected. However, such information should be routinely disseminated to all relevant elements of the Government with appropriate restrictions, when necessary, on further distribution rather than the current practice which is to restrict dissemination of potentially sensitive material as a matter of routine. The Intelligence Community Staff is working with State and DOD to develop procedures in accord with this principle in the case of the National Intelligence Situation

Report. But this problem exists in many areas related to warning and crisis operations and more needs to be done, on a case-by-case basis, to work out procedures which will provide the best possible intelligence support to the Government during crises, while protecting truly sensitive information and operations.

The Intelligence Community must improve its capability for timely recognition of impending crisis and hostile foreign actions so as to provide better warning of such events. This is a matter of selecting relevant indicators from a large flow of data, recognizing departures from "normal" patterns of international behavior, and identifying and estimating the likelihood of various foreign courses of action. The decisions to issue a warning may require balancing the costs of false alarms (disruption of normal US Government processes undercutting the credibility of the Intelligence Community and generating unwarranted hostile reactions) against the advantages of early warning if a crisis is indeed pending (alerting of military forces and diplomatic posts, and US actions to head off or mitigate the crisis). As users and the Community both become more sophisticated in their understanding of the nature of the warning problem, more emphasis is being placed on accurate identification of pattern changes and their implications—the charting of the "international temperature"—than on pure "prediction" of events by the Intelligence Community. Some users suggest the expansion of the responsibility of the SWS to encompass a much broader warning function. The spotting of key indications is becoming more difficult as the technological capability for collection grows, and with it the volume of data available to intelligence. Further, improvements in analytical tools for pattern recognition have not kept pace with technical collection capabilities.

Human analytical limitations which are part of the warning problem include:

- The tendency to estimate the likelihood of various foreign actions from the perspective of US behavior patterns and standards of

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“rationality,” rather than from the perspective of the foreign people involved.

- The inherent difficulty of anticipating an opponent's actions or intentions when the opponent has not yet made a decision. The difficulty increases as the opponent's decisions are influenced by US policies and actions.
- The failure to integrate intelligence over time, prior to or during crises, to detect cumulative evidence of changes and to identify trends which point to patterns of behavior.

Post mortems of Community performance during crises have proved to be a most useful means for surfacing such analytical problems and working out their solutions. However, the current environment of leaks and increased availability of Intelligence Community reports to the Congress tends to discourage written post mortems. But the Community must continue to conduct post-mortem reviews, with the rigorous self-examination they entail, if it is to identify and take corrective actions.

Reflecting many of the problem areas discussed above is the apparent systemic discontinuity in the interchange of warning and crisis related information between the operating environments of key organizations supporting national policy formulation and decisionmaking (e.g., the NSC and WSAG) and the component agencies of the Intelligence Community.

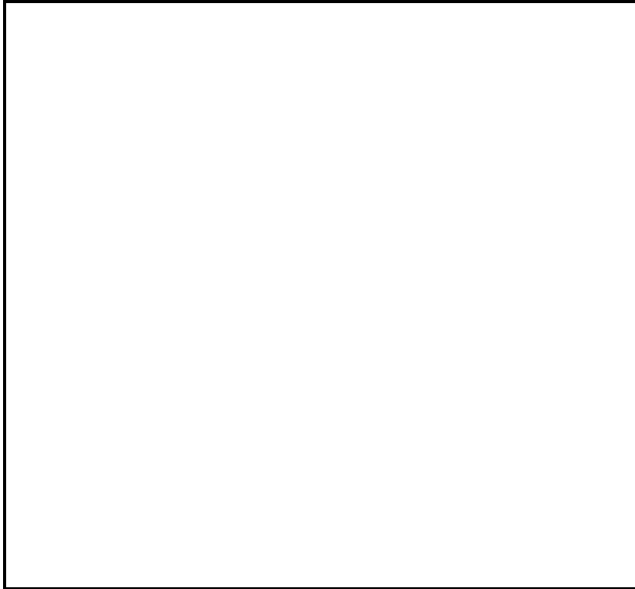
The present structure of warning and crisis related intelligence collection, processing and reporting facilities essentially terminates at the departmental or agency level, as represented by the various operations and alert centers alluded to earlier. Thus, the upward flow of warning and crisis intelligence tends to be diffused due to the absence of a focal point at which the products and capabilities of the Community are integrated for national-level support. This lack may be the underlying cause of significant redundancy and duplication in intelligence reporting to decision-

making levels of government during crisis periods. Recently developed National Intelligence Situation Report procedures promise amelioration of the latter problem. However, inasmuch as their implementation is based on ad hoc action on a situation-to-situation basis, they must be considered an interim improvement rather than a permanent remedy for the discontinuity noted.

A basic problem is that the role and responsibilities of the DCI during crises and wartime are not spelled out in existing legislation or executive orders. It is clear that, during a major confrontation between the United States and the Soviet Union or a war, with military operations impending or in progress, national intelligence assets should provide greater support to military operations than is the case during peacetime. It is equally clear that in such times the President and the National Security Council must make decisions which can affect the vital interests of the nation—decisions on broad strategy, the disposition and employment of conventional forces, the use of nuclear weapons, and the conduct of negotiations intended to end the crisis or war. These decisions must be supported by intelligence, presumably through a channel which is independent of the Department of Defense.



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A new examination of the long-standing problem of the DCI's responsibilities in major crises or war should be high on the agenda of both the DCI and the National Security Council. This examination should include a definition of the relation between the DCI and other authorities (Secretary of State, Secretary of Defense, Joint Chiefs of Staff) during major crises or war and the development of plans to provide adequate communications, staffs, facilities, and procedures to allow the DCI to carry out his responsibilities.

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