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MEETING THE ESPIONAGE CHALLENGE:
A REVIEW OF UNITED STATES
COUNTERINTELLIGENCE AND
SECURITY PROGRAMS

REPORT

OF THE

SELECT COMMITTEE ON INTELLIGENCE
UNITED STATES SENATE



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(III)

ney General's guidelines, and accompanied by improved provisions for congressional oversight.

25. *Recommendation.*—Congress should enact legislation comparable to FISA to authorize physical search for intelligence purposes, so as to reduce legal uncertainties in counterintelligence investigations that have prosecution as one of their objectives.

26. *Recommendation.*—U.S. counterintelligence agencies should continue to emphasize, as standard procedure, consultation with the Justice Department at an early stage in potential espionage cases. The Justice Department should provide increased training to Criminal Division attorneys and U.S. Attorneys concerning the prosecution of espionage cases, including the need to protect sensitive information relating to such cases.

27. *Finding.*—The CIA has taken some steps that are likely to improve counterintelligence investigations and prosecutions, in the wake of investigations of the Howard case. The Committee will monitor implementation of those improvements.

28. *Recommendation.*—The FBI and the Justice Department should take actions, as appropriate, to remedy shortcomings exposed by the Howard case.

E. OVERSEAS OPERATIONS

Strategic counterintelligence objectives abroad differ from those in the United States not only because of the different environment, but also because of the added requirements for counterintelligence support in intelligence collection programs. The Committee welcomes recent CIA initiatives to improve both its counterintelligence efforts and its career opportunities in counterintelligence.

The Committee's classified Report discusses further issues regarding CIA and Department of Defense counterintelligence activities overseas.

The investigation of espionage by U.S. civilian and contractor personnel abroad raises functional questions. The Committee believes that the FBI should be called in and should work closely with agency security officials from the outset.

Findings and Recommendations

29. *Finding.*—The CIA has begun initiatives to improve its counterintelligence efforts.

30. *Recommendation.*—U.S. agencies abroad should continue to obtain the timely advice and assistance of the FBI in cases of possible espionage by civilian and contractor personnel.

F. PERSONNEL MANAGEMENT AND TRAINING

Counterintelligence is not the main function of any of the organizations responsible for U.S. counterintelligence programs. The CIA's primary task is collection and analysis of political, economic and military intelligence; the FBI is a law enforcement organization; and each of the service counterintelligence organizations is part of a larger criminal investigative or intelligence agency. This is one reason why there have been less specialized training and fewer incentives for careers in counterintelligence. Personnel are recruited for law enforcement or intelligence positions generally

and are usually not assigned to counterintelligence until they have experience in other fields. The advantage of this practice is that personnel can develop their basic investigative or intelligence skills in less sensitive areas before taking on more important counterintelligence duties. The disadvantage is that specialization and career advancement in counterintelligence may be discouraged because of the organization's emphasis on other functions.

Every agency is taking steps to upgrade counterintelligence training, but the results thus far have been uneven. More should be done to encourage agencies to share their experience with successful methods. While each agency operates in a different environment and with different internal regulations, joint discussion of such topics as the nature of the threat from particular hostile services and the techniques for offensive operations and counter-espionage investigations could be very useful. This would also make more efficient use of expert personnel who assist in other agencies' training. In the CIA and the military services, better training in agency guidelines is also needed.

In the aftermath of the Miller case, the Committee has taken a close look at FBI personnel management policies for counterintelligence. At the Committee's request, the FBI prepared a study reviewing the impact of FBI personnel policies on the Foreign Counterintelligence (FCI) Program in order to determine how the FBI may more effectively recruit, select, assign, train, promote, and retain Special Agents for counterintelligence matters. The FBI study indicated a need for improvements in several areas.

The FBI confronts unusual personnel management problems because of the large hostile intelligence presence in New York City, where the cost of living has discouraged FBI Agents from seeking assignments or pursuing careers. Unlike State Department personnel, FBI Agents in New York do not have a special housing allowance to defray the cost of living in town. The Committee believes that action is needed to improve benefits and incentives in New York and is prepared to develop legislation that may be needed for this purpose.

Another manpower issue is the limited number of FBI senior grade positions in the counterintelligence field, as compared to positions as Special Agent in Charge of a field office and comparable headquarters positions with primarily law enforcement duties. The Committee supports efforts to change this situation, including funds requested in the FY 1987 budget to increase the number of senior grade counterintelligence positions at FBI Headquarters. The Committee also supports the FBI policy requiring that all new Special Agents in Charge of field officers who have not previously served in a full-time counterintelligence position must receive FCI training.

The Committee intends to continue its review of FBI counterintelligence personnel policies as part of a broader ongoing study of intelligence community personnel issues.

DoD counterintelligence components have similar problems and should develop appropriate revisions in personnel policy to encourage specialized counterintelligence career development. In all the DoD counterintelligence units, as well as the FBI, greater efforts are needed to recruit and retain the best possible personnel.

Findings and Recommendations

31. *Recommendation.*—More should be done to encourage agencies to share their experience with successful CI methods and to make more efficient use of expert training personnel.

32. *Recommendation.*—Additional measures should be taken to improve benefits and incentives for FBI Agents in New York City, including any legislation needed to give the FBI comparable authority to the State Department.

33. *Finding.*—The FBI is planning to increase the number of senior grade counterintelligence positions at FBI Headquarters. The Committee supports these efforts.

34. *Recommendation.*—While each counterintelligence agency must recruit to satisfy its unique needs, greater attention should be given to determining specialized qualifications required for personnel to meet each agency's CI needs as distinct from law enforcement or foreign intelligence needs.

35. *Recommendation.*—DoD counterintelligence components should continue to develop appropriate revisions in personnel policy to encourage specialized counterintelligence career development.

IV. SECURITY COUNTERMEASURES

In 1984-85 the Executive branch conducted several in-depth studies of security policies and practices for protecting classified information and activities against hostile intelligence collection. The Committee has reviewed findings and recommendations from all of these studies, as well as observations and proposals made by other Congressional committees, by witnesses at the Committee's closed hearings, and by experts inside and outside the Government. Taken together, these reports and recommendations raise grave questions regarding U.S. security programs to protect sensitive information from our adversaries.

The Walker case disaster and the bugging of typewriters in our Moscow embassy were compromises that waited years to be uncovered and that illuminated significant weaknesses in the nation's security. There have been wide disparities in policies and standards for personnel, information, technical and other security measures. Serious imbalances in resource allocation have existed, and in some areas inadequate resources have led to serious gaps in protection. Research and development to improve security has been haphazard at best.

Since the late 1970s, the Committee has worked with the Executive branch and the intelligence community to strengthen counterintelligence throughout the Government, so that the FBI, CIA and DoD counterintelligence components could deal more effectively with the hostile intelligence threat. Until 1985, however, neither this Committee nor any other congressional body had taken a similarly comprehensive look at the defensive security countermeasures that surround the core of classified information and that are supported by counterintelligence. The Committee's closed hearings in the fall of 1985 were the first systematic Congressional review of security programs since the 1957 report of the Commission on Government Security established by Congress (with Senator John Sten-

nis as its Vice Chairman). Although the Committee is encouraged by many of the steps now being taken to remedy serious deficiencies, the continuing fragmentation of security planning and policy requires a substantial reorganization of the way the Government handles its many security programs. Congress has a similar duty to put its own house in order; and the Committee has specific recommendations for that purpose as well.

The Committee has addressed security countermeasures at two levels. First is the national policy level, where government-wide initiatives and programs are developed, approved and overseen. Many of the most serious security weaknesses result from the lack of an effective, national policy that gives high priority to security programs and ensures comprehensive and balanced planning. The second level is the numerous separate security disciplines, which each have their own problems that must be solved within a coherent national policy framework. These disciplines include information security, personnel security, communications security, computer security, emanations security (TEMPEST), technical surveillance countermeasures, physical security, industrial security and operations security. Their variety itself clearly indicates how difficult it is to pull together the necessary expertise and reconcile the interests of different agencies and programs—intelligence, military, diplomatic, industrial, research and budgetary. Nevertheless, the effort must be made if we are to reduce the likelihood of future compromises that repeat the multi-billion dollar damage of the Walker, Pelton, Howard, Harper and Bell cases or the incalculable harm from interception of our communications and technical penetration of U.S. facilities.

We would not wish to mislead; in any foreseeable environment, U.S. security countermeasures programs can provide no absolute guarantees against compromises and losses. Our goal is a significant improvement in security, a further limiting of the damage that is wreaked by those compromises and losses. Our belief is that more effective, but not unduly intrusive measures can accomplish this objective.

A. A NATIONAL STRATEGIC SECURITY PROGRAM

In December, 1985, the Committee recommended to the National Security Council that the Executive branch develop a comprehensive and integrated National Strategic Security Program to coordinate and foster the protection of sensitive information and activities from the efforts of hostile intelligence services. The purpose is three-fold.

First, such a program would give greater visibility, higher priority and increased attention of senior officials to security countermeasures. Frequently, security programs have neither an influential voice in government departments and agencies nor adequate funding and career opportunities. Security must be recognized by the Executive branch and Congress as a crucial underpinning to the other basic functions—military, intelligence and diplomatic—that safeguard national security.

Second, the reason for such a program is to provide a coherent structure to address and overcome security deficiencies. As dis-