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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC #03061-88
14 September 1988

MEMORANDUM FOR: Director of Central Intelligence

FROM: Fritz W. Ermarth
Chairman

SUBJECT: Your Presentation to the PFIAB on Future Intelligence
Challenges

1. Attached are two documents for your consideration as sources of themes for your meeting with PFIAB next week. Tab A is an essay which might be used as the basis for a presentation covering both substantive challenges and Community management issues. Tab B was prepared by the NIC as an input to the National Foreign Intelligence Strategy, and sets forth our view of the big substantive targets in the years ahead.

2. I've seen a draft of what Doug George prepared for General Heinz to send you for this occasion, and have no problem with it. When you've had a chance to reflect on what you've been given, Doug and I can respond to your instructions to prepare something final for the meeting. I spoke the other day with Fred Demech of the PFIAB staff about the purpose of the meeting, and it was clear that you were largely free to define it as you wish so long as it involves some mix of both intelligence substance and resource/management implications.



Fritz W. Ermarth

Attachments: As Stated

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C/NIC/FWErmrth:jlm [redacted] (14 Sep 88)

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FUTURE INTELLIGENCE CHALLENGES

In the decade ahead, US intelligence is certain to face tight, and likely to face declining, real budgets. At the same time, its tasks appear likely to expand in number and complexity, as old requirements persist and new ones get added to our mission. This situation will generate new pressures for efficient resource management at all levels, but especially at the level of the Intelligence Community and the NFIP.

Tight Money and Expanding Tasks

The budget picture is relatively clear. Even if the NFIP budget does better than defense, it will be tight as far as the eye can see, after a period of expansion.

On the demand side, the picture is also fairly dramatic. It is hard to think of major intelligence targets of the past which have disappeared or shrunk in importance. Straining to think of one, I come up with Chinese ground order of battle. But let there be a spat on the Chinese border with Vietnam, India, or the USSR, and we could suddenly be charged with an "intelligence failure" if we neglected this topic.

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Even if US-Soviet relations continue to improve, we shall be pressed to track the development and application of Soviet military power in detail. Even if weapons systems are limited or eliminated by arms control, we must track them fastidiously to assure compliance. As we enter new and presumably more meaningful conventional arms talks, demands will grow for more and more detail on the Soviet general purpose force structure as well as the surrounding doctrines and operational concepts. Thus, we shall have to get more sophisticated about the traditional forests while getting more precise and comprehensive about the trees. And we cannot be sure that US-Soviet relations will stay improved, so the intelligence demands of "amity" (e.g., arising from arms control implementation, policing and exploiting exchanges, etc) will combine with those of enmity (e.g., threat assessment, warning).

Meanwhile, the turbulence of the Gorbachev era is adding new dimensions to the Soviet problem. Hardly a decade ago, topics like the intelligentsia, the party apparatus, the mood of society at large were the part-time concerns of less than a dozen analysts in the whole intelligence community. Today, we can no more afford to be caught unawares by major grass-roots developments in the USSR than can the Kremlin or the KGB because such developments, and Moscow's reaction to them, could challenge the viability of our short-term diplomacy and our long-term strategies. Glasnost has made easier the task of reaching insights about Soviet society; but doing so requires more people to process and analyze the new information pouring out of the Soviet Union.

Outside the "traditional" target areas, we clearly see a proliferation of intelligence requirements, both in terms of geography and subject

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matter. After the USSR, potential crisis areas in the Third World have traditionally been high priority intelligence targets, particularly in the Middle East. Even if we succeed in defusing some of these in cooperation with the USSR and local participants, and even if our defense and foreign policies downgrade the importance of some areas, the breadth and depth of intelligence on these areas can hardly be reduced. This is because comprehensive understanding afforded by intelligence is a prior condition for intelligent selectivity in policy and strategy.

Now we have new tasks before us: Terrorism, narcotics, international economics and finance, the technological and economic competitiveness of friends and allies, and even the world-wide impact of AIDS. There is rapidly rising concern now about the proliferation not merely of nuclear-weapons capabilities, which continues, but of chemical and bacteriological warfare capabilities and of hi-tech, long-range weaponry. We have not merely to anticipate and track these developments, we along with the policymaking community have to figure out what their broader, so to say "environmental", impact on the international system will be.

Not only in the USSR and East Europe, but throughout the world we have to pay more attention to deep social and psychological forces, such as the Islamic Revolution. Conventional collection methods, with their focus on capitals and ruling elites, are not adequate here. Reliance on journalists and academics alone is not satisfactory [redacted]

[redacted] We cannot afford to be late in detecting another social upheaval on the scale of the revolution in Iran, for example, in neighboring Mexico. But keeping up with such phenomena requires deeply

schooled experts, with languages and the ability to travel to the countryside and the bazaars of the world. Fortunately, this is not expensive, but it requires new ways of doing our business...or perhaps resurrecting some very old ways.

Some Management Implications/A View from the 1970s

Complaint from intelligence managers about tight money and expanding tasks is familiar; it simply varies in validity. In the 1990s, it will be much more valid than during most of the 1980s because of diametrically opposite budget trends. This situation is not unprecedented, however. It recalls the period extending throughout the 1970s when there was real shrinkage in the NFIP budget and the size of the Intelligence Community, but tasks did not in any meaningful way diminish.

As in that period, we shall almost certainly see increased emphasis on various management themes in the quest for greater resource efficiency, hard though efficiency is to define in the intelligence business. There are all kinds of things that can be done to increase efficiency and we shall be under great pressure to do them. This will involve such things as:

Sharpening priorities, objectives, missions, requirements at all levels; making the management mechanisms that address these matters real decision tools rather than perfunctory paper drills.

Trade-offs among programs, especially at the Community-NFIP level, in terms of their relative ability to satisfy requirements.

Sharper scrutiny of the interrelationships of collection, processing, and analysis. There will be pressure to get more out of expensive collection through less expensive processing and analysis.

The old "national-versus-tactical" intelligence debate will return, and more broadly debate about trade-offs between intelligence and defense dollars. (The debate about the SR-71 is an example.)

Along with these themes will come the quest for tools to help address them, such as input-output analysis, zero-base budgeting and intelligence product evaluation. One can also expect new attention to defining the roles of the DCI, especially the relationship between his role as head of CIA and as head of the Intelligence Community.

All these themes arose in the 1970s, shaping the management agendas of the DCI and other Community principals, creating new institutional capabilities (e.g., in the Intelligence Community Staff), and forcing intelligence budget and program decisions before the President and the full members of the NSC for more serious attention than ever before. Considerable progress was made in dealing with these challenges during the 1970s. During most of the 1980s, however, budgets went up sharply and there was a fairly natural -- if perhaps unwise -- drop in attention to resource efficiency at the Community level. Competitors for the marginal dollar simply don't fight as hard when their budgets are growing.

But the environment of austerity and expanding tasks is returning. We have to examine whether our mechanisms, particularly organizations within

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and among the agencies for the most efficient resource management, are up to the challenge. We also have to ask whether the oversight mechanisms which have proliferated in the past two decades will be helpful or obstructive in the quest for new levels of resource efficiency. This applies to oversight within the Executive Branch (e.g., at NSC and OMB), as well as to Congress.

Sources of Strength

As we look ahead into the 1990s, it is wise to emphasize a number of assets or advantages available to the DCI as he faces tougher resource management issues, especially at the Community level.

First, we've been here before to some extent and we don't have to reinvent the wheel. There are people in and out of government who know the concepts, the vocabulary, and many of the issues that will arise in this environment; they are on both sides of the political aisle.

The manpower expansion of the early 1980s during a business recession, in CIA but other agencies as well, brought in large numbers of unusually well-educated and talented young people. Management of these people so that the best ones stay in intelligence careers is itself a major challenge. But they provide the DCI with two important levers for attaining higher efficiencies. First, they are a pool of quality intellect and motivation from which more skilled managers for the future can be rapidly developed. Second, they permit a reduced work force to result in a relatively more talented manpower pool in the Community than resulted from similar RIFs in the 1970s.

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Finally, technology may offer some tools for enhancing resource efficiency even in the domain of intelligence where it is so elusive. Today, unlike the 1970s, ADP is ubiquitous even though it sometimes seems chaotic. The masses of information that constitute the meat and potatoes of intelligence move from the collector to the finished publication, and even sometimes to the consumer himself, electronically. Analysts and processors who are the best equipped of "frontline" intelligence people to judge what the value of information is are used to operating in an electronic data environment. We ought to be able to use these conditions to design better tools for more efficient resource management because we are better able to track what we collect, where it goes and how it is used.

The period ahead should be viewed as a one of challenge full of opportunity rather than threat for US intelligence. This is because, while growing bigger during the last half decade, it also got better. There is probably some flab around. But there are clear areas of improvement over the 1970s on all sides, both in collection and analysis, in people and in machinery. The key to success in the next phase will be to manage in ways that preserve and build on accumulated strengths.

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