


4 MAY 1981

MEMORANDUM FOR: Chief, Procurement Division, OL

STATROM:


Chief, ADP&EB/PD/OL

SUBJECT: Proposed ODP Policy Excluding ADPE
of Foreign Manufacture

REFERENCE: Memo dtd 21 Apr 81 fm C/MS/ODP to
C/PD/OL (ODP-81-437)

1. The above reference contains ODP's proposed policy "that automatic data processing equipment which is substantially of foreign manufacture will not be procured for use in Office Data Processing computer networks."

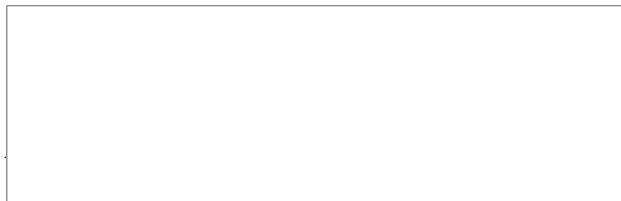
2. ODP's concerns leading to this policy are enumerated in paragraph 1 of the reference. ODP cites two primary reasons, i.e., physical security considerations and potential requirement for visits to Agency facilities by representatives such as manufacturing engineers.

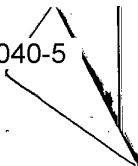
3. In response to ODP's request for reasons to strengthen the policy, we suggest that these are questions which should first be addressed, including those in Attachment 1.

4. Upon adequate response to these questions and further identification of the specific security considerations which necessitate the proposed policy, we are prepared to further assist in development of approaches to meet actual needs in this area.

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1. What are the parameters of "Substantially of Foreign Manufacturer?" The entire system, individual components - subcomponents?
2. How are these determinations (Foreign Manufacture) to be made? On a case by case basis? For each procurement? By who? Any exceptions?
3. Will vendors have an opportunity to rebut this policy and its presumptions?
4. What are the established security safeguards presently imposed upon ADPE systems to prevent these occurrences?
5. Shouldn't this type of policy apply to the Agency vice ODP?
6. What is the policy of other intelligence organizations, i.e., NSA, DIA, ARMY, AIR FORCE, FBI?
7. Have there been prior documented instances of tampering, foreign national consultations, etc.?
8. What source would be available to the Agency, given the fact that most ADPE vendors utilize transnational corporations for parts, mainframe assembly, etc.?
9. How would domestically manufactured, not foreign designed equipment, be treated under the policy?

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Attachment 1

RESPONSE TO QUESTIONS BY OL/ADP&EB ON
FOREIGN-MANUFACTURED ADPE POLICY*

1 & 2 - Security determinations always require the exercise of judgment. ODP would expect that when required a panel of OL, OS and ODP personnel would make the determination on a case-by-case basis. We would also agree to a more detailed definition and guidelines if that were judged practical (by place of manufacture of critical components; place of final assembly, etc.). We recognize that the problem is complicated. But, if we routinely make personnel security judgments, judgments such as we are suggesting should be possible and, in fact, are frequently made even now. For example, OL has recently acted, in conjunction with ODP and based on existing OS policy, to preclude ODP business with a formerly U. S.-owned firm that fell under foreign ownership [redacted]

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3. No. They will be given the opportunity to present the facts of their specific situation and to present a rebuttal to the initial Agency position. The final Agency determination will not be subject to challenge. [redacted]

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4. Existing security procedures prevent us from allowing non-U. S. citizens access to our ADPE, such as for specialized maintenance or support. (All regular maintenance personnel must be U. S. citizens and preferably Agency cleared. The maintenance firm must also be U. S.- owned. These are longstanding OL and OS policies.) With equipment predominantly from U. S.- owned vendors and of U. S. manufacture, access to technical staff, (engineering, manufacturing, etc.) who are U. S. citizens is generally not a problem. This would not be the case with equipment of foreign manufacture. [redacted]

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*Responses are keyed to questions, by number, in Attachment 1 of Reference.

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Factory modification of ADPE is always potentially a threat. We rely, for lack of more sophisticated controls, on the integrity of U. S.-owned firms and their personnel. We would be far more vulnerable in this regard with equipment substantially of foreign manufacture. [redacted]

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5. We would strongly support a similar Agency-wide policy. [redacted]

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6. We do not know the policies of other agencies in the regard. We, however, do not consider other agencies' policies particularly relevant. CIA security policy is separate and distinct from the policies of other agencies. [redacted]

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7. We have on numerous occasions consulted with manufacturing and engineering personnel when particularly difficult problems have been encountered and local maintenance personnel could not provide the required support. We have obviously not used foreign manufacturing or engineering personnel in this regard. The purpose of this policy is to avoid being put in the position where we have no choice. To our knowledge we currently use no ADPE that would fall under this policy. [redacted]

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We have no documented instances of factory tampering with ODP ADPE. The intelligence target is of high value and the technology available. Prudent security management requires us to take action to minimize the possible threat. [redacted]

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8. No equipment in our current inventory would, in our judgment, be excluded by the criteria of this program policy. Thus, for example, our existing sources would remain available to us at least in the near future. [redacted]

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9. Domestically manufactured, not foreign designed equipment from a U. S.-owned firm does not fall under this policy or present an unusual security problem. [redacted]

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TAB
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9 JUN 1981

MEMORANDUM FOR:

Deputy Director of Security
Physical, Technical and Area Security

FROM:

[redacted] -STAT
Information Systems Security Group, OSSUBJECT:
25X1Proposed ODP Policy Excluding ADPE of Foreign
Manufacture [redacted]

REFERENCE:

(a) Memorandum, dated 4 May 1981, same
subject(b) Memorandum dated 21 April 1981 from
C/MS/ODP to C/PD/OL (ODP 81-437)

1. This Office fully supports the policy outlined in paragraph 2 of reference (b). This policy incidentally was first surfaced in our joint OS/ODP Computer Security Working Group and, in fact, prior to final publication by the Office of Data Processing (ODP), Management Staff (MS) was coordinated with the Office of Security (OS), Information Systems Security Group (25X1SG). [redacted]

2. With respect to the two basic concerns raised by ODP;

a. There is a distinct threat to ADPE both at the manufacturing point and/or at the servicing end via a device used for the purpose already stated in reference (b). We believe, however, that there would be better ways for a hostile or (friendly) government to obtain information but that threat nevertheless exists.

b. Regarding service representatives - any foreign national representative of these manufacturers would not be permitted entry to the Headquarters complex for obvious security reasons. [redacted]

3. In answer to specific questions listed in attachment (1) of reference (a), we have the following comments (corresponding to paragraphs in attachment):

a. We view these parameters as the entire system to include individual components of a computer, e.g., main CPU, terminals, memory units, I/O devices, channel devices, as well as communication equipment.

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b. We would prefer that these be made at time of procurement as part of the procurement process. Inquiries should be made as to foreign affiliation and if possible place of manufacture of computer units under procurement consideration. There should be no exceptions unless there are overriding circumstances not now envisioned and then only with written concurrence by the Director of Security and the Director of Data Processing.

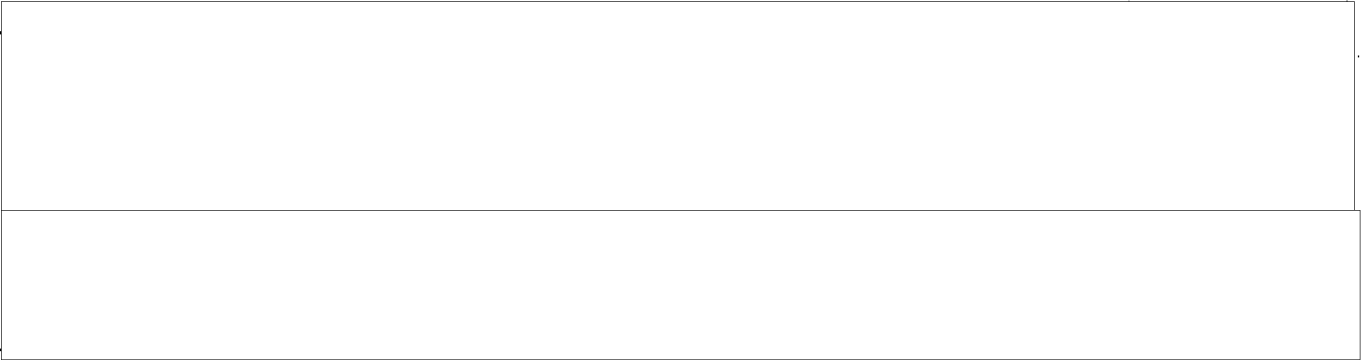
c. No. We believe that this is an internal Agency policy matter necessitated by the DCI's legal responsibility to protect Sources and Methods. DDO data which is processed on our computers would certainly be considered in this subject area.

d. We do not specifically analyze new computer equipment for implanted devices or for modifications. Our Technical Security Division/Office of Security people, however, do make a periodic "audio sweep" of outlying Agency buildings which conceivably would pick up emanating signals. Regarding visiting service representatives: service technicians who regularly maintain our computer equipment must be cleared and badged (VNE badge includes polygraph interview). Service personnel on the Agency account, who regularly service our equipment but who do not qualify for a badge (less than 100 visits per year) are also generally appropriately cleared. In the event there are no badged or cleared service personnel available, uncleared representatives will be asked to perform maintenance functions under escort by a "knowledgeable" individual. Of course this procedure is difficult to enforce in the daily work environment.

e. Yes. We are currently reviewing Agency and Community policy in the information security area in order to update existing regulations/directives and will consider this question as part of that review. Additionally, we feel that it should also apply to the Intelligence Community (e.g., to member Agencies processing under DCID 1/16).

f. To our knowledge there is currently no policy Community-wide specifically addressing this matter. Until very recently, as you know, there was a specific "buy-American" clause in the GSA procurement directives which now has been voided by Executive Order. Further, historically the United States computer manufacturers have not had any competition from foreign companies. However, with recent technical strides in computer manufacturing by Japan, the problem of using foreign computers will become more definite.

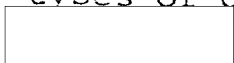
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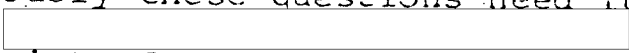

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h. We are not as concerned about United States computer manufacturers using transnational corporations for parts, etc., as we are of foreign manufacturers producing this computer equipment in their own country under their "total" control. In short, we have to live with the "facts of life" of American business.

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i. Many questions would first have to be answered such as degree of foreign control; the distribution process for this equipment, types of contracts (overt/covert) under consideration. 

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4. Obviously these questions need further discussion and explanation.  (secure extension 

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1 be the point of contact within ISSG on this issue. 

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20 July 1981

MEMORANDUM FOR THE RECORD

SUBJECT: Foreign Manufactured ADP Hardware

1. On 13 July 1981, the undersigned represented OL/SS at a meeting held in the ODP Management Staff area, Room 2-D-03 Headquarters Building. In attendance were [redacted] Acting Chief, ODP Management Staff and Chief, ODP Policy and Plans Group; [redacted] Chief, Informations Systems Security Group, OS; [redacted] Assistant General Counsel, Procurement Law Division, OGC; [redacted] Chief, ADP&E Branch of OL/PD; [redacted] Contracting Officer, ADP&E Branch of OL/PD and [redacted] ODP Security Officer.

2. The meeting was called by [redacted] to discuss [redacted] concerns with ODP's proposed policy for excluding the procurement of foreign manufactured ADP hardware. This policy is set forth in the 21 April 1981 memorandum (Tab A) from ODP to [redacted] response (Tab B) raised several issues which were responded to by ODP Management Staff (Tab C) and OS/ISSG (Tab D). The background of ODP's policy formulation was explained by [redacted] The Director of ODP, Mr. Bruce Johnson, is responsible for the ODP Management Staff production of a policy paper. He was aware of the impending procurement of several Central Processing Units (CPU's) and queried his staff in regard to Agency policies for the procurement of foreign manufactured ADP equipment, and CPU's in particular. He was advised that the most pertinent regulation that had a bearing on his concerns was located in [redacted]

[redacted] This extract was presented as a view graph at the meeting. At some point in the ODP's search for a specific policy, Mr. Johnson had occasion to discuss ADP equipment of foreign manufacture with the (then) DDA, Mr. Hugel. Mr. Hugel indicated his support for a policy that would preclude purchasing foreign manufactured ADP equipment in even more stringent terms than those envisioned by Mr. Johnson. Until this point, Mr. Johnson had proposed excluding the procurement of "major systems" only. Mr. Hugel suggested that the prohibition be extended to all ADP hardware. The end result of Mr. Johnson's deliberations was the 21 April 1981 policy memo which was written at his direction by the ODP Management Staff.

3. [redacted] early remarks directed the course of the meeting. He indicated that an "ODP Policy Statement" governing the procurement of foreign manufactured ADP equipment was probably an incorrect format to achieve the desired results. [redacted] suggested, and the attendees agreed, that a Headquarters regulation pertaining to this subject should eventually be published and that a notice

SUBJECT: Foreign Manufactured ADP Hardware

or other appropriate instrument signed by the Director of Logistics serve as an interim measure. Agreement on the publication of a D/L notice was the only truly firm course of action decided upon during the meeting. It was resolved that the Director of ODP will send a request to the Director of Logistics for the publication of a D/L notice. Included in the request will be an ODP policy statement, highlighting the issues that they feel should be addressed in the notice. The request will contain a concurrence line for the Director of Security's signature and will be coordinated with ISSG and OL/SS. ODP views the D/L notice as the means to insure that contracting officers consider the origin of ADP equipment in their evaluations of responses to ADP RFP's.

STAT 4. The issue of the nature of the threat posed by the purchase of foreign ADP equipment was raised by [redacted]. He suggested that it would be appropriate to justify the publication of a D/L notice to the Director of Logistics. The request might include case histories or technical evidence to support a ban on the procurement of foreign ADP equipment. Although the existence of evidence of a threat was alluded to by some of the attendees, no specific cases were mentioned. STAT The group deferred to [redacted] who indicated that the critical consideration is that all ADP equipment has the potential to be networked within the Agency. There is no guarantee that a stand alone piece of ADP equipment, ostensibly purchased for unclassified use, will not be networked into a highly classified system at some future date. It was decided that a lengthy justification would not be included in the D/ODP's request to the D/L, in that the threat is self-evident.

STAT 5. A discussion was held concerning the variables in ownership or place of manufacture that would disqualify an ADP vendor from consideration for procurement. [redacted] presented a chart (Tab F) that reflects ODP's concerns in this area. There was general agreement among the attendees that the procurement of a complete ADP system manufactured overseas is completely unacceptable. Beyond this, variations in the hardware assembly were discussed (parts manufactured overseas, but assembled in the U.S.; inert parts manufactured overseas, but installed in U.S. systems, etc.) that pointed out the need for flexibility in the application of any policy to ban procurement of foreign ADP hardware. There was no attempt to formulate specific evaluation standards during the meeting.

6. There was tentative consensus that future RFP's for ADP Procurement should include a clause spelling out the Agency's prohibition on the procurement of foreign manufactured ADP equipment. The

SUBJECT: Foreign Manufactured ADP Hardware

STAT clause would be based on the policy notice that will be sought from the Director of Logistics. A questionnaire designed to disclose the origin of manufacture of the system or components being offered would also be included in the RFP. The questionnaire would be used in evaluating the vendor's response. For any evaluation to be meaningful and consistent, baseline pass/fail standards will have to be created. [redacted] acknowledged that the creation of such standards would require extensive ISSG participation, if indeed the task was not exclusively ISSG's.

7. It is apparent that implementations of a policy to ban foreign ADP equipment will require much more consideration, especially in the area of formulating meaningful evaluation criteria. For now, as noted above, the only action that will be sought by ODP is a policy directive over the signature of the Director of Logistics.

STAT
[redacted]
Security Staff, OL

Attachment

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TAB
6

7/28/81

ODP-81-963
27 July 1981

MEMORANDUM FOR: See Distribution

STAT ROM :
Security Officer, ODP

SUBJECT : Automatic Data Processing Equipment
of Foreign Manufacture - Draft Memorandum

Attached is a draft of a memorandum from the Director of Data Processing to the Director of Logistics via the Director of Security. Please review the draft to ensure that you are in agreement with its contents. Please submit your concurrence or comments by 3 August 1981.

STAT

DISTRIBUTION:

STAT - OS/ISSG
STAT OL/ADP & EB
OL/SS
- c/o OL/SS

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CONFIDENTIAL
ODP-81-955
24 July 1981

MEMORANDUM FOR: Director of Logistics
VIA : Director of Security
FROM : Bruce T. Johnson
Director of Data Processing
SUBJECT : Automatic Data Processing Equipment of
Foreign Manufacture

1. Automatic data processing equipment (ADPE) manufactured in a foreign country is becoming more and more common in the American marketplace and, hence, senior ODP managers are becoming increasingly concerned, for security reasons, about the possible introduction of foreign manufactured ADPE into Central Intelligence Agency facilities. Two primary reasons for these concerns are physical security considerations and the potential requirement for visits to Central Intelligence Agency facilities

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by representatives of foreign manufacturers such as design or systems engineers. New equipment will use technology that will make detection of surveillance devices very difficult and thus increases the possibility of a successful penetration of our security safeguards. When difficult, complex engineering problems are encountered with ADPE manufactured in the U. S., it usually is possible and sometimes necessary to bring specialized engineering personnel to Headquarters to resolve the problems. This clearly would not be possible with a foreign manufacturer having a foreign national staff. Our security concerns, therefore include:

- Alteration of equipment for surveillance or disruptive purposes during manufacture.
- Embargo of spares, upgrades, engineering changes, or follow-on technology.

purposes during service (including modification of TEMPEST equipment).

- Difficulty in access to engineering/manufacturing personnel.
- Possibility of having to utilize foreign national engineering/manufacturing specialists for non-routine maintenance of hardware/software.



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*Agency
to the extent possible.
contract with
corporations
sole source
situation
area
expertise
needed.*

2. I wish to make it clear from the outset that we recognize the complexity of this problem. Current Agency procurement and security policy does not permit contracting with "corporations under foreign ownership, contract or influence."

Our intent here is to extend this protection so that it covers the location and ownership of the manufacturer even when the equipment is obtained from a separate and distinct U. S.-owned vendor and the routine maintenance performed by a U. S.-owned maintenance organization. We view this situation as a gap in our current security and procurement policy and believe for the reasons stated above this gap should be closed. Our concern here is driven by our knowledge of the current ADPE market where, in fact, foreign-manufactured IBM-compatible mainframes are available from U. S.-owned sales and service corporations. We therefore with the concurrence of the Director of Security and ~~your~~ ^{you} concurrence would like to establish a procurement policy which, for security reasons, does not permit the acquisition of ADPE substantially of foreign manufacture for use in CIA data processing activities. Until we have more experience with this proposed policy our working definition of ADPE substantially of foreign manufacture will be that critical subsystems or final assembly is performed by a foreign manufacturer. We further

I believe this is misstated
 The Dir. of Logistics
 established procurement policy in 1945-21
 Please note suggested wording change will make the policy be implemented

(i.e., ADPE manufactured in the U. S. by a foreign-owned firm
would also be excluded).

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3. Representatives of the offices of Logistics, Security,
General Counsel and Data Processing discussed this matter on
13 July 1981. They proposed, and I support the proposal, that ~~an~~
express the policy prohibiting the procurement of ADPE substantially of
foreign manufacturer be established for use in CIA data
processing activities. If you are in agreement and the Director
of Security concurs, I suggest that a Headquarters Regulation be
published establishing this policy. In the interim this policy
could be implemented in a Procurement Notice.

4. Our view is that the issue of foreign manufacture will
be evaluated along with other security factors in the overall
contractor evaluation process. A panel of Logistics, Security
and Data Processing personnel can be convened, if required, to
perform the comprehensive security evaluation.

to include con-STAT

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5. Requests for Proposal would bring this matter to the
attention of the potential contractors and contain a

questionnaire similar to the DD Form 441S, Certificate pertaining to Foreign Interests (attached). A similar form will be developed in ODP and coordinated with your office and the offices of General Counsel and Security.

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6. As you well know the Agency is increasingly relying on automatic data processing equipment for the manipulation and storage of classified information. This, in turn, increases our vulnerability to security penetrations that exploit weaknesses in our ADPE equipment or procedures. We believe this policy is one more step in improving our ADP security posture and reducing our risk of loss or compromise of classified information.

Bruce T. Johnson

Attachment: a/s

CONCUR:

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Director of Security.

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ODP/MS/ (24July81)(red #1 disk)

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TAB
7

29 July 1981

MEMORANDUM FOR: Director of Logistics

FROM: [redacted] Associate General Counsel

STAT

SUBJECT: Foreign Ownership of Contractors and Manufactured Products [redacted]

25X1

REFERENCE: Multi Adse Memo fm [redacted] SO/ODP, dtd 27 July 1981, Subj: Automatic Data Processing Equipment of Foreign Manufacture - Draft Memorandum (ODP-81-963)

STAT

Jim:

1. Attached is a copy of my comments regarding referent. The draft is more evidence of the problem the Agency is confronted with. I hope, however, it is not a ruse just to permit sole source acquisitions from a few chosen contractors. [redacted]

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2. In any event, [redacted] Contracts Staff, OTS, has spoken to me regarding his immediate problems with [redacted]. Have you decided definitely that it's okay to go forward with the completion of the two OTS contracts presently underway? I told [redacted] that was my understanding, but I would double check. Also, is he to attend the 5 August 1981 meeting with the officers from [redacted]

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Att: As stated

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OGC 8106425

29 July 1981

MEMORANDUM FOR: Security Officer, Office of Data Processing

FROM:

[Redacted]

STAT

Associate General Counsel

SUBJECT: Automatic Data Processing Equipment of Foreign
Manufacture - Draft Memorandum [Redacted]

25X1

REFERENCE: Multi Adse memo fm [Redacted] SO/ODP,
dtd 27 July 1981; same subject (ODP-81-963) [Redacted]

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STAT

1. Attached are our comments concerning referent memorandum. We would point out specifically page 4 of the draft that the language should be revised to reflect that the Director of Logistics, in accordance with his area of responsibility, is being asked to establish the particular procurement policy of no foreign ADP, rather than merely concurring. Suggested wording to this effect has been provided. [Redacted]

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2. If you have any questions, please feel free to call me at extension [Redacted]

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[Redacted]

STAT

Att:

As stated

cc: D/L, w/att
C/ADP&EB/PD/OL, w/att

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[Redacted]

SEE ANNOTATIONS IN COLUMNS OF TAB 6