

# ANNUAL REPORT ON INTELLIGENCE COMMUNITY ACTIVITIES

This report responds to a Congressionally directed action contained in the Intelligence Authorization Act for Fiscal Year 1997. Referencing Section 109 (as amended in 1996) of the National Security Act of 1947, the Act directs the President to submit an *unclassified* report "on the requirements of the United States for intelligence and the activities of the Intelligence Community." In keeping with this requirement, this report identifies areas where intelligence is required to meet the national security interests of the United States and reflects the priorities established by the Administration for implementation by the Director of Central Intelligence (DCI). It evaluates the performance of the Intelligence Community for FY 1996 in terms of its responsiveness to priorities advanced by the Administration.

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## INTRODUCTION

The Intelligence Community is responsible for providing timely, unique information to the policy level to support US national security objectives. A central thesis governing the conduct of this effort is that not all issues are of equal importance to US security interests. The President in a directive to the Director of Central Intelligence has unequivocally stated that his most important and immediate foreign policy concerns are crisis situations that pose a direct or immediate threat to US interests, where the introduction of US forces is under active consideration, or where US forces are operationally deployed and at risk.

To this end, the Intelligence Community has provided significant support to US diplomatic activities and deployed US forces in Bosnia and to other crisis areas such as Haiti and Central Africa. In the case of Bosnia, the Community provided near-real-time information, secure communications, immediate and high-quality analysis, and the access afforded by Intelligence Community liaison relationships to our top diplomats and military commanders. These capabilities have been vital to the protection of US forces in Bosnia and to efforts to implement the Dayton Agreement.

In addition to supporting the US response to ongoing crises, the Intelligence Community has carried out other high-priority, strategic tasks:

- Delivering against the Administration's priority intelligence targets: rogue states--North Korea, Iran, Iraq, and Cuba; major strategic nuclear powers in transition--China and Russia; and transnational, borderless issues--terrorism, narcotics, proliferation, and international organized crime.
- Ensuring that the Intelligence Community has global coverage--namely, an effective warning capability to provide indications of crises that may require significant US diplomatic activity or military operations; the capability to surge collection and analysis when a crisis occurs; and a minimal, though adequate, level of coverage on lower-priority countries.
- Providing a sound programmatic and financial basis for major new investments to ensure the Intelligence Community increases its ability to deliver distinctive actionable information well into the 21st century.

## HIGH PRIORITY INTELLIGENCE TARGETS

### Rogue States

The Intelligence Community has been directed to conduct end-to-end collection and analysis on rogue states, such as Iran, Iraq, North Korea, and Cuba, whose policies are consistently hostile to the United States. The Community accords high priority to these intelligence targets. During FY 1996, it delivered accurate, actionable information on a continuing basis on these countries. Among the Community's many accomplishments were the following:

- Through a variety of collection means, intelligence provided critical, unique, and timely information on events in Iraq leading up to the fast-paced tactical US air strikes in the southern part of that country during August and September 1996. The near-real-time capability to identify operating sites as soon as they were active enabled mission planners to identify immediately new threats to US aircraft and potential targets for planned air strikes.
- Intelligence provided information on the plans of some of the rogue states to acquire and or retain weapons of mass destruction and the means to deliver them.
- Intelligence continued to monitor Iraqi violations of economic sanctions. It also provided evidence that Iran was allowing Iraqi oil exports to transit Iranian territorial waters.

### Strategic Powers in Transition

As major states in transition, China and Russia present formidable strategic challenges. Both are political and economic powers that can decisively affect US national security interests; both countries also possess strategic nuclear forces. The Community continues to monitor the political dynamics and military capabilities of these nuclear-capable states.

- A resurgent, hostile Russia could threaten US interests in that it still retains a major nuclear arsenal of nearly 6,000 deployed strategic warheads and a range of development programs for conventional and strategic forces. In terms of overall military planning, the Russian Government is emphasizing research and development over production in its parceling of a tight defense budget. The Community continues to monitor the modernization of its strategic forces, including the

testing of new land-mobile and sea-launched intercontinental ballistic missiles.

- China has bought weapons and weapons technology from Russia, including modern fighter aircraft, air defense systems, and submarines. In fact, China's once hostile relationship with Russia is now touted by both sides as a new type of "strategic partnership" for the next century, with a strong emphasis on cooperation and high-level contacts. As a consequence, the Intelligence Community is monitoring China's acquisition of this advanced Russian weaponry as well as the continued expansion of Chinese strategic nuclear forces.

### **Transnational Issues**

The Intelligence Community also has focused on transnational "borderless" issues that threaten national security both at home and abroad; these include proliferation, terrorism, narcotics, and international organized crime.

Few issues have more serious long-term consequences for US interests than the worldwide proliferation of weapons of mass destruction and the missiles intended to deliver them. At least 20 countries--some of them hostile to the United States--already have or may be developing nuclear, biological, and chemical weapons and ballistic missile delivery systems. The Intelligence Community has made significant contributions to the Administration's efforts to stem the proliferation of such weapons. Some examples of non-proliferation successes include:

- The Community identified an important BW agent research, production, and storage complex at Stepnogorsk in Kazakstan and is supporting the current high-level US/Kazakstan talks that have begun dismantlement assistance and will lead to a redirection of people and facilities--the first US-sponsored redirection of a foreign biological weapons plant.
- Intelligence revealed that during 1996 Iran attempted to procure precursors for chemical agents which would make it less vulnerable to the export controls of its foreign suppliers.
- Intelligence Community resources collected and analyzed materials (in direct support of US forces in Bosnia) to identify potential CW capabilities in the region.
- Joint intelligence efforts produced a BW field kit which addressed concerns of the US military.

The President's Counterterrorism Initiative, begun last year, directly enhances intelligence capabilities that are designed to provide actionable tactical intelligence, as well as direct support to, and participation in, joint and multilateral operations while bolstering the classical provision of strategic intelligence. In keeping with this Initiative, the DCI created a Terrorism Warning Group (TWG). The TWG is staffed by representatives from the Department of State, Defense Intelligence Agency, Central Intelligence Agency, Federal Bureau of Investigation, and the National Security Agency. This highly expert group's exclusive focus is on the review of intelligence from all sources to provide warning to senior policymakers on possible foreign terrorist attacks against US and allied personnel, interests, and facilities. The DCI's Counterterrorist Center (CTC) achieved numerous successes in FY 1996, among which were the following:

- Providing intelligence information that led to the foiling of the Ramzi Ahmed Yousef plot to place bombs aboard ten US commercial aircraft in Asia and a conspiracy to assassinate the Pope.
- Providing critical assistance in determining who was responsible for the assassination attempt on Egyptian President Hosni Mubarak in Addis Ababa.
- Working with other elements of the diplomatic and Intelligence Communities to effect the rendering into US custody of Lebanese Sunni terrorist Marwan al Safadi, who was linked to terrorist plots in South America.
- Working with the Department of State, to provide extensive counterterrorism assistance to allies worldwide, including states of the former Soviet Union and a number of key Middle Eastern countries such as Israel and Egypt. Over 18,000 individuals in 50 nations have been trained in techniques and tactics to counter terrorism over the past decade.

In recent years the partnership between the intelligence and law enforcement communities has evolved into a symbiotic relationship in which the growing dependency of law enforcement on near real-time actionable tactical intelligence from National Foreign Intelligence Program (NFIP) elements has been matched by the increasing reliance of NFIP analysts on data obtained from operational successes. This cooperation is nowhere more evident than in the transnational issue areas of counternarcotics and international organized crime.

The Administration's strategy for confronting the mounting transnational problem of drug abuse and drug trafficking entails the integration of domestic and international efforts to reduce both the demand for and the supply of drugs. The Intelligence Community is helping to implement this strategy by providing coordinated foreign intelligence support to law enforcement and host nation operations and to diplomatic initiatives designed to disrupt, dismantle, and immobilize key cocaine, heroin, and methamphetamine trafficking organizations. The intelligence provided supports attack upon all aspects of narcotics trafficking--production, shipment, finances, leadership, and organizations.

In addition to the expansion of narcotics production and trafficking, money laundering, financial crime, alien smuggling and criminal involvement in the gray arms trade are also increasing and presenting significant challenges to governments and law enforcement authorities worldwide. The Administration's approach for combating these alarming transnational trends is to launch a multilateral campaign against the international criminal cartels, especially those in Italy, Colombia, Mexico, Southeast Asia, Nigeria, and the successor states of the former Soviet Union.

Although not a traditional topic for intelligence, the Intelligence Community has become increasingly engaged in these transnational issues, with the following achievements to its credit:

- In the broadest cooperative operation to date, involving six Latin American countries, a major Colombian maritime trafficker was arrested in Panama City.
- With US intelligence and law enforcement support, Colombian forces apprehended virtually all of the targeted Colombian drug kingpins. More than a dozen additional traffickers were also captured, including other Colombian drug lords as well as top traffickers from Peru, Ecuador, and Bolivia. Intelligence support was also key to the arrest of several East Asian heroin traffickers.
- Intelligence support was an integral part of a multi-lateral alternative development program led by the United Nations Drug Control Program in Burma.
- The DCI's Crime and Narcotics Center has developed all-source analytic tools to help expedite dissemination of actionable intelligence to law enforcement agencies.
- Intelligence has revealed economic espionage directed against sensitive or proprietary information of an economic or financial nature belonging to US firms.

## GLOBAL COVERAGE

Global coverage entails providing advance notice of an impending crisis (effective indications and warning) and retaining flexible and resilient collection assets and analysts to enable the Intelligence Community to surge collection and analysis against a situation or country on a temporary basis. These activities focus on supporting diplomatic operations to deter war, resolve conflict, support civil authorities, and promote peace; they include smaller-scale combat operations, peacekeeping and peace enforcement operations, and humanitarian relief operations. They can involve the threat or use of force. By their very nature crises are unpredictable, and US forces must be prepared to participate anywhere in the world, upon short notice. To ensure an adequate response to an erupting crisis, the Intelligence Community furnishes support to the military so that it is prepared to conduct combat operations and sustain a range of concurrent operations in distant theaters; this support is as diverse and geographically distributed as the operations themselves:

- Actionable intelligence support contributed to the successful US-led effort to end armed border clashes between Peru and Ecuador and throughout 1996 assisted US policymakers in mediating a lasting settlement. Tailored analytic support helped the chief US mediator move the parties toward settlement talks, which are likely to begin this year.
- Imagery intelligence provided critical insights on the numbers, status, and location of Rwandan refugees in the Great Lakes region of Central Africa as the international community grappled with a rapidly changing situation and attempted to define an appropriate humanitarian response.
- Community agencies to include the Central Intelligence Agency, National Reconnaissance Office, National Imagery and Mapping Agency, National Security Agency, and the Defense Intelligence Agency and intelligence components of the Military Services have increased their training with US operational forces. One example is the provision of threat modeling and simulation capabilities, varying from one-on-one to many-on-many campaign models for current and forecast threat environments. Military operators now receive training that includes realistic levels of expectations of support that can be obtained from national intelligence systems.

In addition to warning and surge capabilities, global coverage requires sustaining adequate, albeit minimal, baseline coverage on lower-priority countries. The Intelligence Community supports many other intelligence needs that are neither "hard targets" nor candidates for crisis operations. These include environmental intelligence on noncompliance with international agreements and illegal shipments of hazardous materials and waste, as well as economic and trade information. Although the Intelligence Community is a relative newcomer to these issues, it has made several contributions both at home and abroad:

- Intelligence information and analysis have been especially valuable in detecting violations of international environmental agreements, such as the Montreal Protocol on substances that deplete the ozone layer.
- Intelligence support to US Customs and the Environmental Protection Agency has assisted in interdicting illegal chlorofluorocarbon (CFC) shipments headed to the United States.
- Intelligence also has begun to enhance official and public understanding of global health threats, such as HIV/AIDS--an area where some foreign governments withhold information in their official reporting.
- Preparing US officials for, and supporting them during, international negotiations on commercial, economic, and financial subjects.
- Assessing the consequences for foreign countries of proposed economic sanctions or trade actions; monitoring compliance with--and the effects of--such measures
- Exposing questionable trade practices by foreign companies or governments--such as bribes, kickbacks, collusive commercial arrangements, disguised subsidies, and so forth--that may be harmful to US firms.



## LONG-TERM STRATEGY

For the Intelligence Community to ensure its ability to deliver distinctive actionable information well into the 21st century requires a sound programmatic and financial basis for major new investments. The Community currently is taking concrete steps to increase significantly integration across programs and to reduce independent, duplicative collection, which previously hampered efficient management. Because activities of a similar nature were often funded under several different programs, it was difficult to assess tradeoffs between programs or know where best to make reductions. Last year, the House and Senate intelligence oversight committees and the Commission on the Roles and Capabilities of the US Intelligence Community (the Aspin-Brown Commission) conducted a thorough examination of the Intelligence Community's roles and responsibilities. All parties agreed that the DCI needed to develop a more "corporate" strategy for the continued conduct of US intelligence activities.

Central to the successful implementation of this strategy are:

- More systematic tracking and refining of intelligence requirements; and,
- Better Community-level management and integration of existing capabilities.

The Intelligence Community's corporate approach is manifested in its efforts to make better use of the capabilities that already exist through the creation of the National Imagery and Mapping Agency and the Joint Space Management Board. In addition, the Community has initiated a wide-reaching personnel reform effort; better synchronization of human intelligence operations, closer and mutually beneficial dialogue with the law enforcement community, and improved oversight in the areas of covert action and counterintelligence.

Recognizing that the annual budget is the primary vehicle for effecting change within the Intelligence Community, the Report of the Commission on the Roles and Capabilities of the US Intelligence Community (the Aspin-Brown Commission Report) specifically noted the need for a better framework to assess tradeoffs among the various capabilities within each intelligence discipline as well as across the disciplines. It applauded the Community's initial efforts to develop a Mission-Based Budgeting framework which links intelligence activities with the accomplishment of missions outlined annually in the National Security Council's US National Security Strategy and the Defense Planning Guidance of the Department of Defense. By shifting the focus to the contribution that intelligence makes to missions--to intelligence *output* rather than intelligence capabilities--the Community can assure its customers that their priorities will be accorded maximum intelligence support.

Over the past year, the Intelligence Community has developed a more efficient process for making program and budget decisions so that the DCI and Deputy Secretary of Defense can determine whether or not their funding decisions will satisfy mission requirements. The first step was to more closely align the process for reviewing the National Foreign Intelligence Program (NFIP) managed by the DCI, with the Joint Military Intelligence Program (JMIP) and the Tactical Intelligence and Related Activities (TIARA) aggregation managed by the Secretary of Defense.

A key component of this new joint process is the Intelligence Program Review Group (IPRG), a senior board of intelligence oversight and resource managers from across the national and defense intelligence communities which identifies, evaluates, and prioritizes cross-cutting programmatic and resource-related US intelligence issues. This group recommends immediate and proactive courses of action to the Expanded Defense Resources Board, chaired by the DCI and the Deputy Secretary of Defense.

Last year, almost 90 intelligence issues were nominated for evaluation by the IPRG--ranging from how to fund and develop new automated data processing systems to whether or not the Intelligence Community should invest in commercial imagery. If an issue was considered a "major" issue, working groups were formed to examine thoroughly all aspects of the topic, including requirements, areas of controversy, funding, and potential cuts that would be made to other systems or activities to free up resources. In total, 39 issues were evaluated by the IPRG, with changes in funding made to 17.

Besides introducing changes in process, the Intelligence Community is actively developing the tools and staff to better analyze and evaluate intelligence programs. Although more work needs to be done in these areas, the Community Management Staff has begun to develop a Program and Budget Data Base System designed to accommodate a matrix approach to budget analysis, thereby allowing the DCI to evaluate how particular capabilities are contributing to intelligence missions. The database is in its early stages, however, and will need to be further refined over the coming year. Concomitant with this database development is the ongoing acquisition of a planning, programming, and budgeting staff dedicated to aiding the DCI in his oversight of the intelligence budget.