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The Intelligence Process: INTERNATIONAL OIL DEVELOPMENTS (Weekly)

National Intelligence Officer
for Economics and Energy

- CIA
- State
- DOD
- Treasury
- ERDA

Key Intelligence Questions

Feedback from Consumers on previous publications

- NSC
- CEA*
- CIEP
- Treasury
- FEA
- State
- DOD
- ERDA
- STR**

Identification of Key Issues

- Future demand for OPEC oil
- Stability of the cartel
- OPEC revenues
- Development of alternatives
energy sources
- New non-OPEC oil sources
- Petrodollars

Collection Requirements

Intelligence Sources

- Open sources (press, trade
publications, etc.)
- Clandestine reporting
- Other government agencies
(State, DOD, etc.)
- Communications intelligence
- Contacts with US firms

IOD Preparation

- Analysis
- Drafting of articles
- Review
- Coordination

Dissemination to Consumers

- NSC
- CEA*
- CIEP
- Treasury
- FEA
- State
- DOD
- ERDA
- STR**

* Council of Economic Advisers
** President's Special Trade Representative



SECRET
596192

DECLASSIFIED
E.O. 12958 Sec. 3.6

MR 94-3, #1; CIA 6/16/99

By Lt NARA, Date 3/2000

ISSUE: Should the covert action capability and possibly all clandestine activity be separated from the CIA?

The covert action capability has been included in the Intelligence Community since its inception, but its action orientation has led many to propose that it be transferred.

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..... The covert action capability in CIA has been strongly criticized in the Press and Congress for inadequate control, biasing of the independence of CIA analytical judgments, and detrimental effects on CIA recruitment of analysts. Although the arguments for separating covert action from the CIA have some merit, serious practical problems arise.

OPTIONS:

1. Transfer to the State Department would endanger its primarily overt status and be contrary to international diplomatic practice.
2. Transfer to the Defense Department would raise public apprehension over accountability given the size and scope of Defense's activities. (However, any resort to large scale covert paramilitary activities in the future could appropriately be conducted through Defense.)



3. The third alternative, moving covert action and clandestine collection into its own agency would separate covert operatives from the supervision of Agency officials and encourage them to fill slack time looking for new covert actions, the only justification for their continued employment.

This option has support among the liberal wing of the foreign affairs "community".

D. ORGANIZATION OPTIONS ANALYZED IN NSC/OMB STUDY

In light of the five issues discussed above, the NSC/OMB study set forth four major options for reorganization of the Intelligence Community, the first three of which would require legislative action:

1. Creation of a new expanded intelligence agency, headed by a Director of Intelligence, with resource and line control over the national programs -- the CIA Program (CIAP), Consolidated Cryptologic Program (CCP), and the National Reconnaissance Program (NRP). This option is based on the premise that national programs are best managed if centrally funded and controlled, and that gains from centralization outweigh disadvantages resulting from separation of collectors from their primary consumers.

2. Creation of a Director-General for Intelligence (DGI) with resource control over the CIAP, CCP and NRP, but line control only over his immediate staff. This option is based on the premise that a central leader with resource control and without a vested interest in any one element of the Community is needed. Option 2A would leave line and resource control over CIA analysts with the DGI.
3. Creation of a Director of Foreign Intelligence (DFI) with broad coordination powers but neither resource nor line control over any part of the Intelligence Community. This option is based on the premise that an intelligence leader, independent of any organization within the Community, would be best able to coordinate its activities, and that the Defense Department requires a major voice in resource and line control of intelligence assets. Option 3A would break up CIA production elements and transfer them to other departments.
4. Retention of current Community relationships with the addition of a second full Deputy to the DCI with management responsibility for the CIA and perhaps with expanded or restructured Executive Committees and production responsibilities. This option is based on the premise that major organizational changes



may be undesirable, and that improved Community leadership structures are possible through administrative action.

These options and their effects on leadership, collection, production, and the budget are detailed in the following chart.

Following the summary charts are diagrams of the four NSC/OMB study options. And finally, there is a chart summarizing agency reactions to the four options.

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SUMMARY OF
INTELLIGENCE COMMUNITY LEADERSHIP OPTIONS

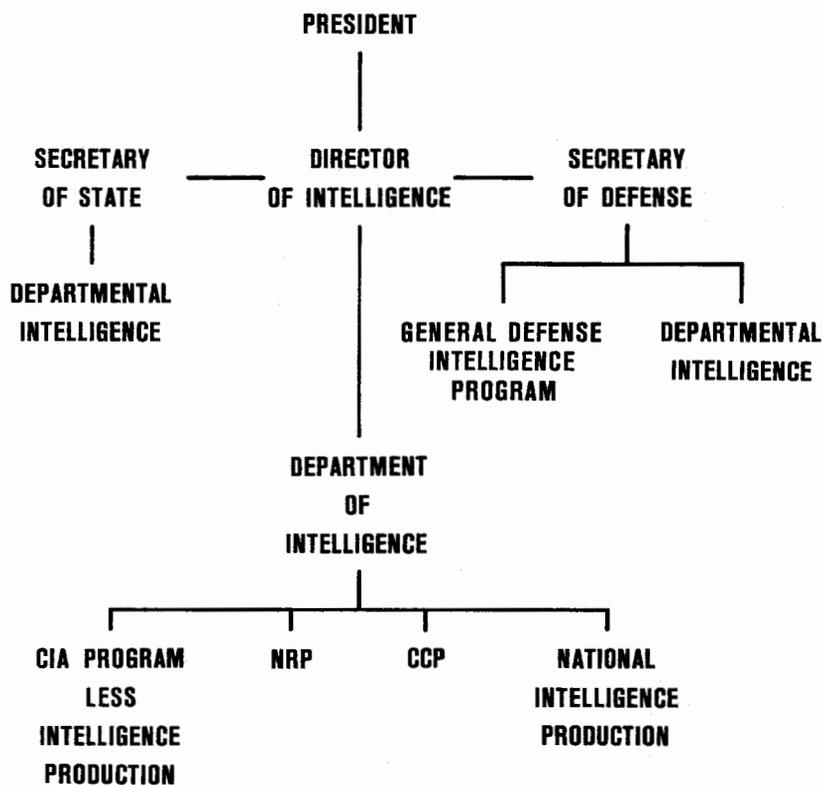
	OPTION #1	OPTION #2	OPTION #3	OPTION #4
	<u>CENTRALIZED NATIONAL INTELLIGENCE PROGRAM</u>	<u>CENTRALIZED RESOURCE CONTROL</u>	<u>DEPARTMENTAL EMPHASIS</u>	<u>MODIFIED CURRENT ARRANGEMENTS</u>
<u>SUMMARY</u>				
Leadership of Community	Director of Intelligence (DI)	Director General for Intelligence (DGI)	Director, Foreign Intelligence (DFI)	Director, Central Intelligence (DCI)
Operational Responsibilities	DI line authority over CIAP, CCP, NRP	DGI no line authority	DFI no line authority	DCI delegates CIA line authority to a 2nd Deputy
Resource Responsibilities	DI controls CCP, NRP, CIAP resources	DGI controls CCP, NRP, CIAP resources	DFI review only; Chairman, NRP ExCom	DCI controls CIAP; Chairman NRP & SIGINT ExComs; Reviews other resources
Collection Responsibilities	DI controls all CIAP, CCP, NRP elements	DGI establishes requirements & priorities	DFI establishes requirements & priorities	DCI establishes requirements & priorities
Production Responsibilities	DI produces all national intelligence	DGI produces national estimates; tasks other production elements OPTION #2A: Provides DGI line control over present CIA production	DFI produces national estimates; tasks other production elements OPTION #3A: Transfers CIA production components to departments	DCI produces national estimates; controls CIA production
Committee Structure	Most existing committees can be eliminated	Retain existing or similar committees; Eliminate IRAC	Retain existing or similar committees	Retain existing committees; Add SIGINT ExCom
Legislation Required	Yes	Yes	Yes	No

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E.O. 12958, Sec. 3.5
NSC Memo, 11/24/98, State Dept. Guidelines and MR 94-3, #1; CIA/IC/HR 1/4/99
By lt, NARA, Date 4/2000

OPTION I

FROM THE REPORT TO THE PRESIDENT ON THE FOREIGN INTELLIGENCE COMMUNITY



~~TOP SECRET SENSITIVE~~

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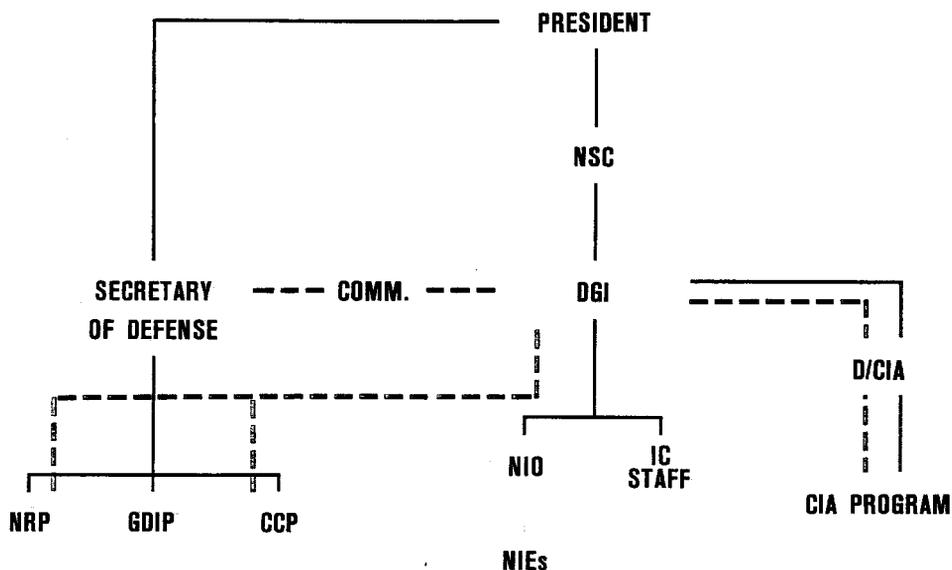
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E.O. 12958 Sec. 3.6

MR 94-3 #1; CIA Letter 1/6/99
By List NARA, Date 3/2/80

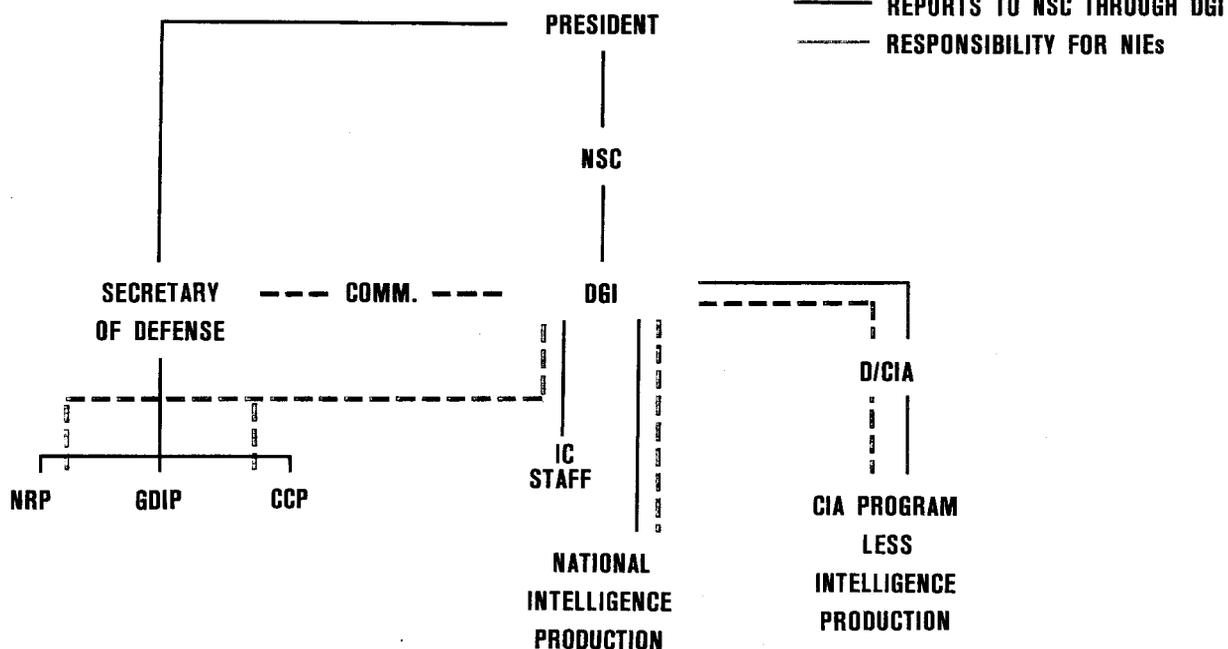


OPTION II

FROM THE REPORT TO THE PRESIDENT ON THE FOREIGN INTELLIGENCE COMMUNITY



OPTION IIA



- OPERATIONAL CONTROL
- CONSULTATION
- RESOURCE CONTROL
- REPORTS TO NSC THROUGH DGI
- RESPONSIBILITY FOR NIEs

~~TOP SECRET SENSITIVE~~

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E.O. 12958 Sec. 3.8

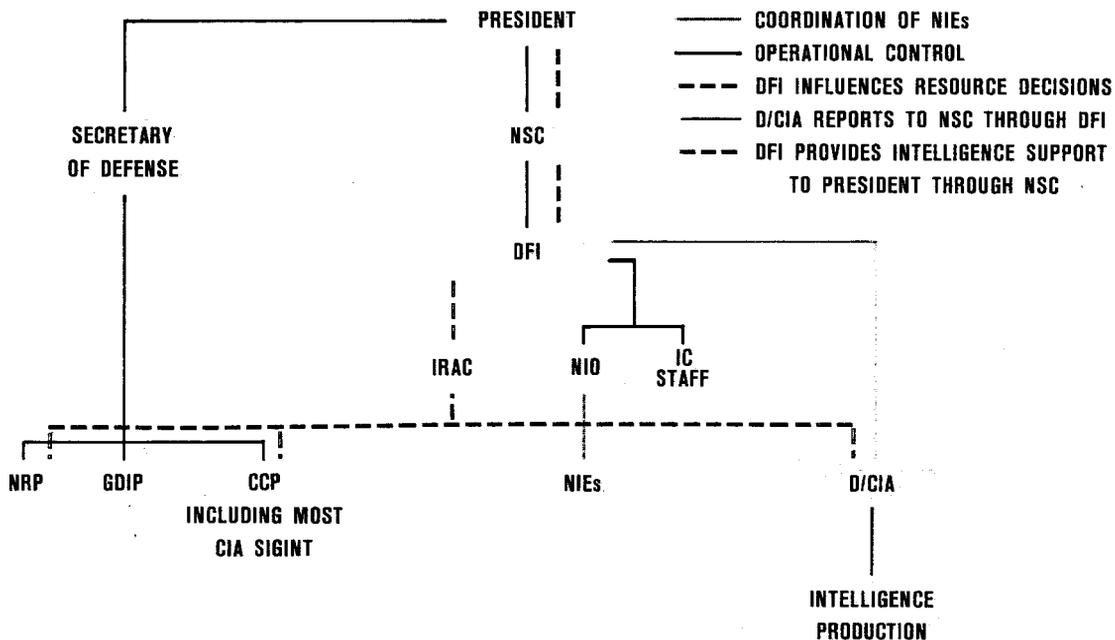
MR 94-3, #1; CIA letter 1/6/99

By Lt NARA, Date 3/2000

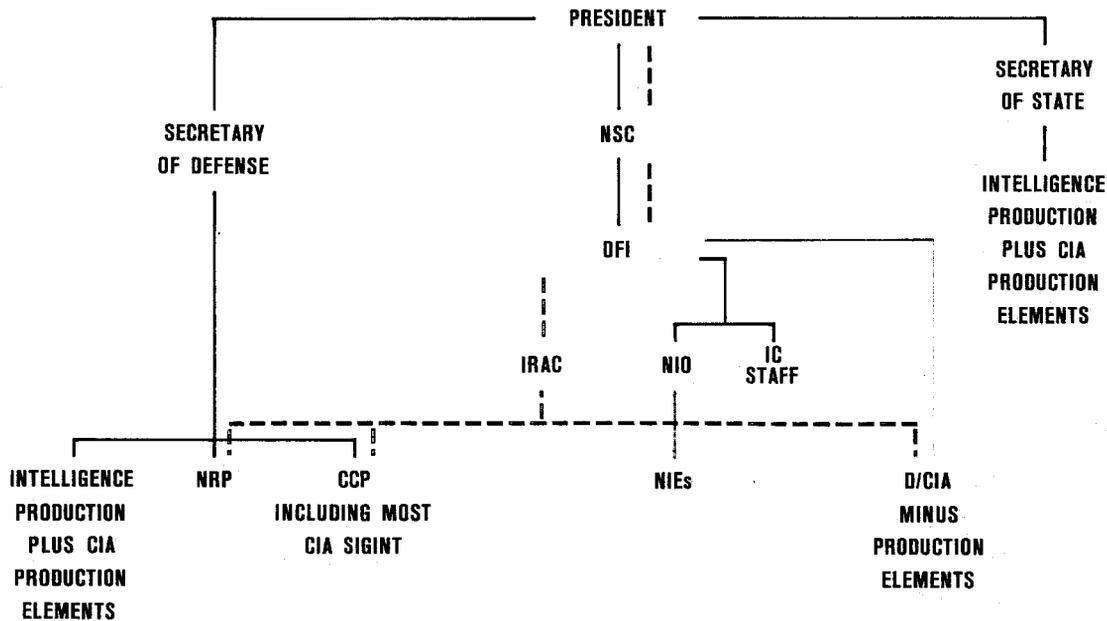


OPTION III

FROM THE REPORT TO THE PRESIDENT ON THE FOREIGN INTELLIGENCE COMMUNITY



OPTION IIIA



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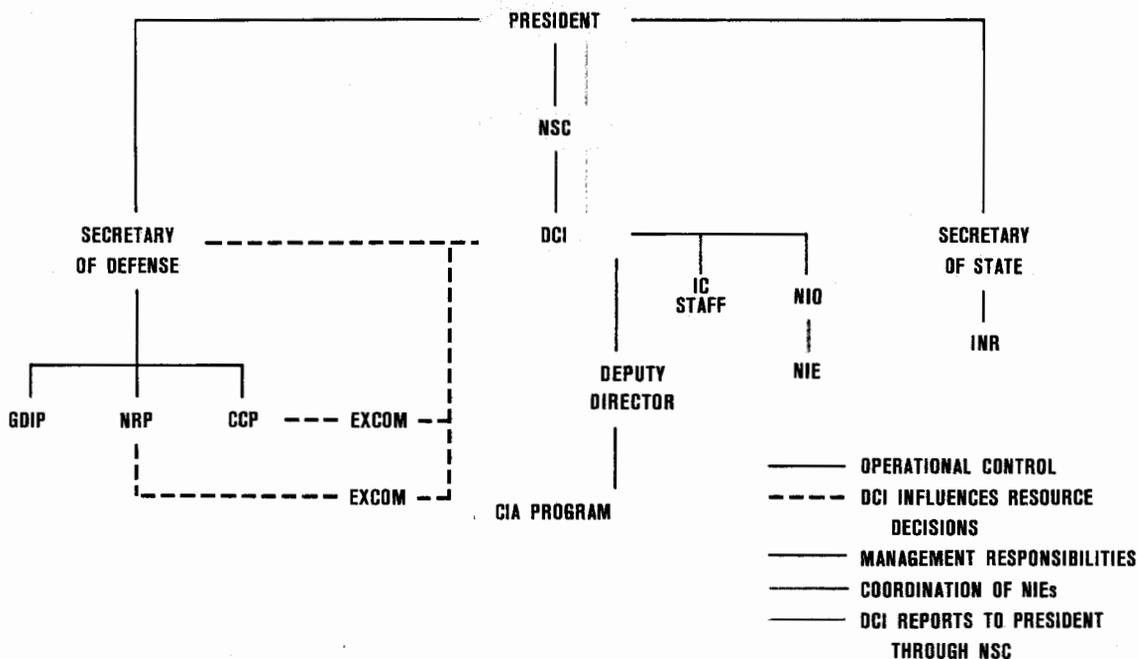
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E.O. 12958 Sec. 3.0

MR 93-4, #1; CIA LHM 1/6/99

By lit NARA, Date 3/2000

OPTION IV

FROM THE REPORT TO THE PRESIDENT ON THE FOREIGN INTELLIGENCE COMMUNITY



~~TOP SECRET SENSITIVE~~
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E.O. 12958 Sec. 3.0

MR 94-3, #1; CIA ltr 1/6/2000

By Lt NARA, Date 3/2000



SUMMARY OF AGENCY RECOMMENDATIONS ON THE
ORGANIZATION AND MANAGEMENT OF THE FOREIGN INTELLIGENCE COMMUNITY

	<u>DEFENSE</u>	<u>JCS</u>	<u>DCI</u>	<u>STATE*</u>	<u>TREASURY</u>	<u>JUSTICE</u>
<u>CORRECT CURRENT ABUSES</u>						
1. Guidelines on Propriety	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	---	<u>Yes</u>	<u>Yes</u>
2. Executive Branch Oversight						
a. Within the Intel Community						
• Strengthen Agency IG	---	---	---	---	---	---
• Community-wide IG	<u>Yes</u>	<u>Yes</u>	<u>No</u>	---	<u>Yes</u>	<u>Yes</u>
b. Outside the Intel Community						
• Attorney General Staff	<u>Yes</u>	<u>Yes</u>	---	---	---	<u>No</u>
• Special Counsel to President	---	---	<u>Yes-NSC</u>	---	<u>Yes</u>	<u>No</u>
• Government-wide IG	---	---	---	---	---	<u>No</u>
c. Outside Government Advisers						
• Expand PFIAB	<u>No</u>	<u>Yes</u>	---	---	<u>Yes</u>	---
• Establish New Group	<u>No</u>	---	---	---	---	---
3. Intelligence Policy Coordination						
• Expanded Use of NSC Structure	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	---	<u>Yes</u>	---
• Intelligence Adviser to President	---	---	---	---	---	---
• Improved DCI/Agency Coordination	---	---	---	---	---	---
4. The 40 Committee						
• Reinstitute Formal Committee Mtgs	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	---	<u>Yes</u>	---
• Attorney General Membership	optional	---	---	---	optional	<u>Yes</u>
• Additional Staff	---	---	---	---	<u>Yes</u>	---
<u>COVERT ACTION</u>						
• Remain in CIA	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	---	<u>Yes</u>	---
• Separate Agency	---	---	---	---	---	---
<u>MANAGEMENT IMPROVEMENTS</u>						
Budgetary and Fiscal Controls						
• Classified Budget	<u>No</u>	<u>No</u>	<u>No</u>	---	<u>No</u>	---
• DCI/OMB Budget Execution Controls	<u>No</u>	<u>No</u>	<u>No</u>	---	<u>Yes</u>	---

*State has decided not to comment at this time.



SECRECY

The purpose of this chapter is to present the problem of maintaining control over classified foreign intelligence activities and information. The following issues are addressed:

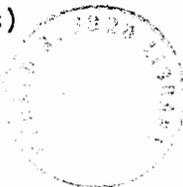
- The need to revise the classification system.
- The need to protect classified information more effectively.
- The form of statutory protection for classified information.

A. CLASSIFICATION SYSTEM

ISSUE: To what extent should the existing classification system be revised?

The current classification system (established by Executive Order No. 11652 issued by President Nixon on March 10, 1972) has been the subject of much criticism, notwithstanding that it represented a comprehensive reform of the prior system. The criteria established for the various categories of information (e.g., TOP SECRET, SECRET) are vague, leading to much over-classification. There are provisions for automatic downgrading and eventual declassification, but the exceptions to them are frequently invoked, particularly in the Intelligence Community.

The system of "compartmentation" (special clearances giving access to information only on a need-to-know basis)



is not explicitly authorized by Executive Order and has been the subject of much criticism on the ground that it allegedly has kept valuable intelligence from policy-makers and analysts who would have warned against improvident policies. The current statutes clearly contemplate the existence of a classification system.

Many critics argue that protection of classified information by criminal statutes is unwise because the current classification system has resulted in great overclassification. Passage of such legislation will be much more difficult if the classification system is not overhauled. Indeed, a revision of the classification system could be viewed as a necessary price to be paid for passage of legislation to protect classified information.

ISSUE: If the current classification system is to be revised, should its revision be accomplished by Executive Order or statute?

Classification system design has historically been a function of the Executive. The President is in a better position than Congress to know what categories of information need protection, and to what extent. The Administration's proposal can be adopted with precision in an Executive Order while, of course, legislative proposals may be subject to significant amendment. However, Congress would probably



be more willing to provide statutory protection for classified information if it had created the classification system by statute.

B. PROTECTION OF CLASSIFIED INFORMATION

ISSUE: Should the Administration propose revised legislation to protect classified information?

Present statutory protection is inadequate. Current statutes prohibit the transmission of classified information by a government employee only if made to an agent of a foreign power. The law prohibits such transmission by a non-employee only if done with intent to injure the United States or aid a foreign government. There are only two types of classified information which receive special protection from media publication. It is a crime for any person to deliver (individually or by publication) to any unauthorized person any classified information relating to cryptology or communications intelligence. (The comprehensive statute dealing with these limited types of information, grew out of the publication by the Chicago Tribune of the fact that the U.S. could read Japanese codes.

Even if the information the defendant divulged to an unauthorized person has not become public knowledge, a successful prosecution requires that it be made public at the trial. Under present law, the government may obtain

an injunction in a civil action against the revelation of classified information by a present or past government employee who has signed a secrecy oath, although no statute explicitly provides such a remedy. This, however, is not an effective means of protection.

The issue of statutory protection of classified information is, of course, a politically controversial one. The Press has been extremely critical of the provisions of the current proposed revision of the Federal criminal code (S. 1) which imposes criminal sanctions on the unauthorized disclosure of classified information.

ISSUE: Whether statutory protection should be accorded only to intelligence sources and methods or to all types of classified information.

By statute, the DCI is required to protect "intelligence sources and methods" which constitute one type of classified information. Basically, this term refers to sensitive information about methods of collecting and analyzing foreign intelligence and sources of foreign intelligence, whether human or technical. The disclosure of information of this type can, of course, be more or less damaging than that of other types of classified information, depending on many factors. However, there is an exception to the automatic declassification requirement in the current Executive Order for information relating to intelligence sources and methods.



Two draft statutes currently exist within the Administration for the protection of classified information. A CIA-sponsored bill would only cover information related to intelligence sources and methods. There is disagreement between CIA and Justice over certain of its provisions.

S. 1, a proposed revision of the Federal criminal code contains certain provisions which would protect classified information of all types. The Administration has urged prompt action on S. 1, although it has not endorsed its particular provisions. S. 1 has been referred to the Criminal Law Subcommittee of the Senate Judiciary Committee; as yet, no formal action has been taken by the Subcommittee.

The current proposed revision to the Federal criminal code (S. 1) provides protection for all types of classified information. It may be that legislation which covers only sources and methods would stand a better chance of passage than a broader bill, since information related to sources and methods may be perceived by the Congress and the public as more worthy of protection; such information does not relate to policy formulation and is less likely to be classified for purely bureaucratic reasons. However, if the classification system is rationally designed, there seems no legitimate reason to provide protection only for intelligence sources and methods.

ISSUE: Whether statutory protection for classified information should cover only government employees or also the unauthorized recipient.

Current statutes related to classified information impose no direct sanctions on the recipients of leaks of such information unless they are acting as agents of foreign powers. However, if the employee who divulges such information intends to harm the United States, the recipient may be criminally liable under statutes on conspiracy and aiding and abetting. As a practical matter, very few leak recipients could be successfully prosecuted under current law. Both the CIA bill and S. 1 impose sanctions only on government employees. If they were extended to cover leak recipients, opposition would be even greater than it is now and First Amendment problems might be raised.

C. SANCTIONS AGAINST SECURITY VIOLATIONS

ISSUE: What form of statutory protection should be given to classified information (i.e., criminal or civil, or both)?

There are two basic methods for discouraging disclosure of classified information: criminal sanctions to be imposed after an unauthorized disclosure, and a civil injunction to be issued before a threatened disclosure. The CIA bill (but not S. 1.) provides for both types of actions. It would seem unwise to rely on the civil injunctive remedy alone. Although

in one respect it can be a more severe sanction (in that if one violates an injunction he may be punished for criminal contempt without a jury trial), it is generally ineffective since the government is usually unaware that disclosures are about to take place. Indeed, even in the absence of a statute, the civil injunctive remedy is available now to some extent in the cases of employees who have signed secrecy oaths; it has not proved particularly effective, standing alone. One might argue that proposed legislation should not include the civil injunctive remedy at all because of its lack of effectiveness and controversial identification with "prior restraint", especially since the remedy is available to some extent anyway if the employee has signed a secrecy oath.

It should be noted that neither type of remedy is likely to be effective in the case of disclosures by members of Congress and their personal and committee staffs either on the floor, in committee hearings, or in committee reports. Statements in such contexts are generally protected by the Speech and Debate clause of the Constitution.



APPENDIX I - INDEX

- . NSC/OMB Study
- . Agency Comments (President's Copy Only)



DRAFT REPORT TO THE PRESIDENT ON
ORGANIZATION AND MANAGEMENT OF THE
FOREIGN INTELLIGENCE COMMUNITY

December 16, 1975
I/R-75/S-665

DECLASSIFIED
E.O. 12958 Para 3.8 w/exemptions

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MR 94-3, #1; CIA letter 1/6/99

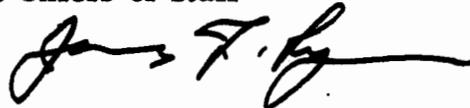
By Lt NARA, Date 3/2000

~~SECRET~~

16 December 1975

MEMORANDUM FOR: Secretary of State
Secretary of Treasury
Secretary of Defense
Attorney General
Director, Central Intelligence
Chairman, Joint Chiefs of Staff

FROM: James T. Lynn



SUBJECT: Options Paper for the President on
Organization and Management of the
Foreign Intelligence Community

Transmitted herewith is the latest draft of the options and recommendations paper for the President concerning the organization and management of the foreign intelligence community. I understand that the text of the options paper has been reviewed by your working group representative.

The deadline for your comments and recommendations to the President with respect to the various policy options is Noon, Thursday, December 18. I appreciate the shortness of this deadline, but it is necessary in order to ensure that the President has the benefit of your views.

Thanks.

Attachment



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ORGANIZATION AND MANAGEMENT OF THE
FOREIGN INTELLIGENCE COMMUNITYEXECUTIVE SUMMARY

The primary objective of the foreign intelligence community is to provide quality intelligence on a timely basis to both policy-makers and operational officials. Any organization and management of the Community -- its collectors, processors, and producers -- must be shaped to accomplish this objective. To assure public confidence and support, organization and management must be structured to prevent potential abuses and to make maximum use of limited resources.

Demands from Congress for information on intelligence operations and substantive intelligence will force the Intelligence Community to operate in a more public arena. Diffusion of political and economic power, proliferation of nuclear and sophisticated conventional weapons, and growth in terrorism are creating broader demands for timely integrated analysis. Ever-increasing demands for high quality intelligence assessments, especially in crisis situations, will require increased use of advanced technological systems as well as the more traditional human intelligence sources. Any restructuring of the organization and management of the Community must respond to these challenges.



Executive Branch safeguards are necessary to prevent potential abuses. Options include: (1) guidelines defining the scope of permissible intelligence activity and (2) mechanisms to improve Executive Branch oversight.

To improve quality and direction in the Intelligence Community, four major structural options -- three requiring legislative action -- are examined:

- #1: Creation of a new expanded intelligence agency, headed by a Director of Intelligence, with resource and line control over the national programs -- the CIA Program (CIAP), Consolidated Cryptologic Program (CCP), and the National Reconnaissance Program (NRP). This option is based on the premise that national programs are best managed if centrally funded and controlled, and that gains from centralization outweigh disadvantages resulting from separation of collectors from their primary consumers.
- #2: Creation of a Director-General for Intelligence (DGI) with resource control over the CIAP, CCP and NRP, but line control only over his immediate staff. This option is based on the premise that a central leader with resource control and without a vested interest in any one element of the Community is needed. Option #2A differs from Option #2 by giving the DCI line control over present CIA production elements.

#3: Creation of a Director of Foreign Intelligence (DFI) with broad coordination powers but neither resource nor line control over any part of the Intelligence Community. This option is based on the premise that an intelligence leader, independent of any organization within the Community, would be best able to coordinate its activities, and that the Defense Department requires a major voice in resource and line control of intelligence assets. Option #3A differs from Option #3 by decentralizing intelligence production responsibilities through transfer of present CIA production elements to the relevant departments.

#4: Retention of current Community relationships with the addition of a second full Deputy to the DCI with management responsibility for the CIA and perhaps with expanded or restructured Executive Committees and production responsibilities. This option is based on the premise that major organizational changes may be undesirable, and that improved Community leadership structures are possible through administrative action.

The study also discusses moving the covert action capability out of CIA and placing it in a new, separate agency.

Finally the study also discusses certain possible management improvements.

ORGANIZATION AND MANAGEMENT OF THE
FOREIGN INTELLIGENCE COMMUNITY

I. INTRODUCTION

On November 14, 1975, the President initiated a study of the organization and management of the foreign intelligence community, including an examination of:

- the basic structure of the Community,
- key problems of organization and management,
- definition of requirements,
- systems design and selection,
- resource allocation,
- guidance mechanisms,
- consumer-producer relationships, and
- relevant recommendations of the Rockefeller and Murphy Commissions.

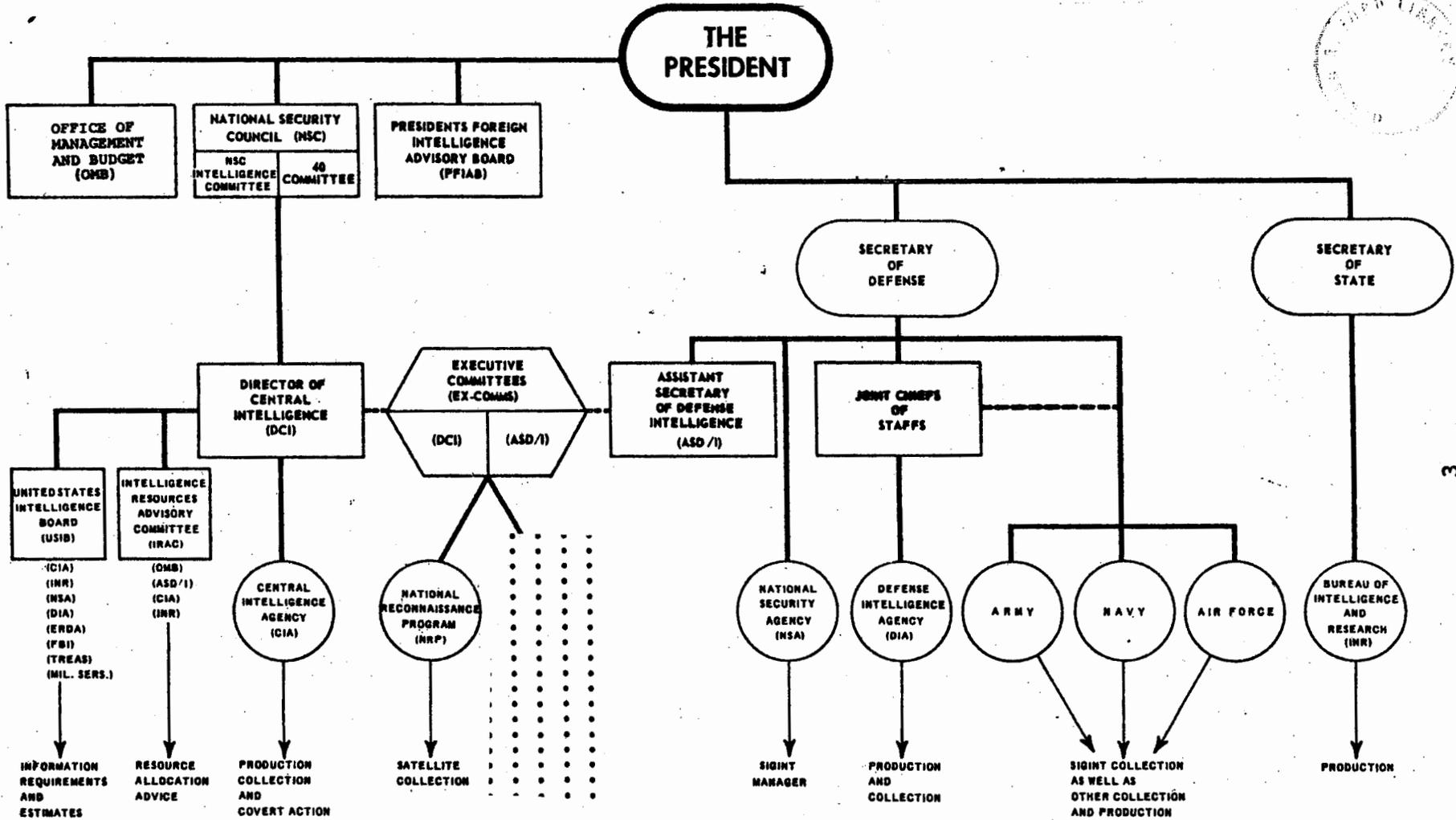
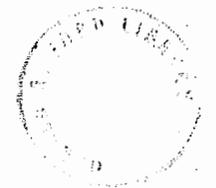
Based upon the results of these reviews, the study was directed to:

- evaluate the need for changes in the current organization of the foreign intelligence community,
- present options for a possible reorganization of the foreign intelligence community, and
- submit the recommendations of each addressee [the Secretaries of State, Treasury, and Defense, Attorney General, Directors of OMB and CIA, and Chairman of the Joint Chiefs of Staff] on the options presented.

The study group determined that its charge did not include counter-intelligence or assistance to law enforcement agencies, because these areas include components outside the foreign intelligence community, primarily the FBI.

~~Classified by Donald G. Ogilvie
Exempt from general
declassification schedule of E.O. 11652
exemption schedule 5B (1), (2), (3)
Automatically declassified on
Date Impossible to Determine~~

INTELLIGENCE COMMUNITY ORGANIZATIONAL STRUCTURE



3

DECLASSIFIED • E.O. 12958 Sec. 3.6
WITH PORTIONS EXEMPTED
E.O. 12958 Sec. 1.5 (c), 3.4(b)(1)

MR 94-3, #1; CIA letter 1/6/99

By let NARA, Date 3/2000

II. CURRENT AND FUTURE TRENDS

The foreign intelligence community serves a wide variety of consumers, not only at the national level but also in the field. These include the members of the NSC -- the President, Vice President, and Secretaries of State and Defense -- the Secretary of Treasury, and, to a lesser extent, the Secretaries of Commerce and Agriculture and the other members of the economic policy community. Also included are Ambassadors, trade negotiators, and military command authorities -- all stationed outside of Washington. These consumers use intelligence to guide policy decisions in the military, diplomatic, political, and economic areas.

Analysts and producers of intelligence include parts of the CIA, the Defense Intelligence Agency (DIA), the State Department's Bureau of Intelligence and Research (INR), Treasury and elements in the armed services. Collectors of intelligence include the CIA, the National Security Agency (NSA) and military Service Cryptologic Agencies, the National Reconnaissance Office (NRO), members of the Foreign Service Officer corps, Treasury, Agriculture, Commerce and Defense attaches, and elements of the armed services intelligence staffs. The chart on the facing page displays relationships in the foreign intelligence community.

The Director of Central Intelligence (DCI) is currently charged by the President with leadership of the Intelligence Community. His four major responsibilities are:

- Planning and reviewing all intelligence activities and the allocation of all intelligence resources.
- Producing national intelligence required by the President and other national consumers.
- Chairing and staffing all Intelligence Community advisory boards or committees.
- Reconciling intelligence requirements and priorities within budgetary constraints.

The DCI exercises both resource and line control over the CIA. The Defense Department exercises resource and line control over the Consolidated Cryptologic Program (CCP), the National Reconnaissance Program (NRP), and the General Defense Intelligence Program (GDIP). The DCI exercises the responsibilities outlined above through his line control over CIA production and collection components, through chairmanship of Community advisory committees on requirements, resources, and production, and through his authority to establish collection requirements and priorities. He is also chairman of an Executive Committee (ExCom) which sets budgetary and operating policy for the NRP. Finally, the DCI annually presents his recommendations on the total Intelligence Community program to the President.

Resources and personnel available to the Intelligence Community reached a peak during the Vietnam War and have declined in real terms since. An agency and functional picture of the 1976 intelligence budget request is shown on the facing page. CIA has about . . . percent of the total

[Redacted content]

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national intelligence resources with the bulk of its efforts concentrated in human intelligence collection, production, and various support functions. Almost all other intelligence resources are carried in the Defense budget, with signals intelligence, photo intelligence, and intelligence-related resources dominating the picture.

National intelligence resources can be described in three different ways:

- By function, about 85 per cent are dedicated to collection and processing, about 10 per cent to analysis and production of intelligence and the balance to support.
- By target area, over 75 per cent of foreign intelligence assets are directed at the communist world, primarily the USSR;
- By output category, about 85 per cent relate to the size and status of foreign military forces (including scientific and technical information), and the remaining 15 per cent cover political and economic subjects.

Future Trends

The USSR and Communist China will remain our major intelligence targets. There are, however, developing international trends and issues which will pose new challenges to the Intelligence Community over the coming years:

- Largely because of the spread of new technology and the growth of global interdependence, more nations will acquire some measure of leverage in world affairs.
- The proliferation of nuclear and sophisticated conventional weapons, the organization of cartels such as OPEC, and the growing demand for raw materials will make coercive power increasingly available to foreign governments and non-governmental groups, including terrorist organizations.
- The gap between the have and have not nations will continue to widen. Issues such as mass starvation and overpopulation will grow in importance. The conflict between economic realities and social welfare aspirations will continue to create fertile fields for communist subversion, political turbulence, and growth of terrorist threats (perhaps involving nuclear weapons).
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In the coming years, additional challenges to the Intelligence Community will be posed by the acceleration of international events requiring the capability to assess and respond on a near real-time basis. New collection and data systems will produce large amounts of information requiring a need for improved communications between agencies, better management and information handling capabilities, more advanced analytical methodologies, and new types of product presentation.



A great variety of demands, issues and opportunities face the Community's leadership:

- Notwithstanding the increased sophistication of collection systems, there is a rising demand, particularly in crisis situations, not only for the kind of intelligence available from technical sensors, but also for intelligence which can normally be acquired only from human sources.
- The need for confident monitoring of Soviet compliance with SALT and other agreements and support of MBFR negotiations will require more detailed intelligence on Soviet and Eastern European military targets.
- Collection systems must be able to survive and be useable in wartime to satisfy combat needs.
- Congress will demand more substantive intelligence. Policies will have to be developed to determine what intelligence should be provided, how sensitive information is to be protected from public disclosure, and how to avoid inhibitions on the analytic independence of the Community.

Changes in the world at large, and in the means of perceiving and assessing their significance, have complicated the tasks and challenged the resourcefulness of the Community. These challenges do not argue

for any particular organization of the Community; they illustrate the diversity and scope of the demands upon the Community and suggest the potential significance of the way in which the Community is structured.



III. PROBLEMS IN INTELLIGENCE

The Intelligence Community has made many vital contributions to the national security of the United States. Throughout its history efforts have been made to improve Community performance. Inevitably, in any study of this type, the focus must be on problems, rather than achievements, in intelligence. Problems in intelligence can be viewed in the context of three major objectives for management and organization of the Intelligence Community:

- Create proper safeguards against future abuses;
- Provide customers with quality intelligence on a timely basis; and
- Ensure that intelligence activities are well-directed.

A. Proper Safeguards Against Future Abuses

The current public focus on the Intelligence Community evolved from a concern over alleged abuses: surveillance of Americans, domestic electronic intercepts, mail openings, and assassination plots. The Commission on CIA Activities within the United States (the Rockefeller Commission), the Murphy Commission and recent Congressional investigations all concluded that existing safeguards against abuses, including guidelines, have been inadequate. The Commissions made a number of recommendations aimed at (1) ensuring that top policy-makers were aware of possibly questionable activities, and (2) promoting deliberative consideration of such activities.

Inadequate safeguards were found within the Intelligence Community, the Executive Office of the President, and Congress. Although many Community-wide directives have existed for assignment of responsibilities and other management purposes, directives on proper conduct have been rare. The DCI, the leader of the Community, has no clear authority to inspect activities except within the CIA. Particular problems within the CIA identified by the Rockefeller Commission include the limited role of the Inspector General and General Counsel, absence of written regulations on this subject, and over-compartmentation of some activities. Within the Executive Office, inadequate mechanisms exist to review the legality and propriety of intelligence activities. Responsibilities for propriety rest primarily with the head of each operating component. Within the Congress, oversight of the CIA and other components of the Intelligence Community was conducted until quite recently by a senior group of Senators and Congressmen. This small group of Congressmen reviewed Community activities and approved intelligence budgets.

The recurring theme in oversight and safeguards against potential abuse at all three levels is the inadequacy of review mechanisms and insufficiency of attention to propriety. Because attention was not focused on this responsibility, certain activities were conducted without the top level attention they merited.



B. Quality Intelligence on a Timely Basis

Production of quality intelligence on a timely basis extends deeply into the management of the whole intelligence effort. It includes the process by which resources are allocated to collectors, processors and producers; the quality and organizational placement of collection and production functions; the nature of the research and development efforts; and even the development of programs which provide necessary support for intelligence activities. While the leadership will continue to be challenged by the need to provide efficient management of Community resources, major attention must be devoted to intelligence production.

The Intelligence Community has been criticized for failing to predict major events and crisis situations such as the 1973 Middle East War. Over the years, however, the Community has dealt successfully with many different crises such as the 1967 Middle East War. Success or failure in forecasting events rests on the perceptiveness of the estimative judgments of the Community as well as the sufficiency of timely, relevant and accurate intelligence from which judgments of intent could be derived.

The Community's performance with respect to longer term estimates has also been mixed. The production of such estimates is complicated by (a) the paucity of hard evidence and (b) the fact that judgmental accuracy hinges on future decisions or actions of foreign governments, or on U.S. decisions or actions to which the estimators are not privy. Accuracy

apart, the utility of estimates is also complicated by problems of dialogue and feedback between intelligence consumers and intelligence producers. While senior policy officers have often felt that intelligence assessments are not sharply focused on their real needs and concerns, these policy officials often do not clearly articulate their needs. The estimates production process, however, does compel an orderly review of all new intelligence and analysis and forces old assumptions to be retested and discarded or revalidated.

Estimates of concrete, factual subjects -- e.g., military capabilities -- are generally well regarded and thought to be useful. In those addressing political and economic subjects, the judgment quotient is much higher. They elicit a more mixed reception and represent areas in which State and Treasury rely heavily on their own analytical resources.

A number of problem areas in provision of quality intelligence have been identified:

Consumer relations with the Intelligence Community. While intelligence produced for policy-makers in recent years has improved in quality and timeliness, certain problem areas remain that impact adversely on the intelligence product and on the efficiency of the intelligence process. There is inadequate guidance and feedback from senior policy officials, compounded by a traditional reluctance to make certain sensitive policy or operational information available to intelligence officials. When intelligence

personnel are in close contact with policy and operational activities, their appreciation of the priority issues is vastly improved. The present active participation of CIA, DIA, and INR in the SALT and MBFR delegations, for example, is considered a useful model for intelligence working relations with policy elements.

The NSC Intelligence Committee (NSCIC) has been criticized for not performing the product review and consumer guidance functions for which it was organized. However, the NSCIC working group now meets regularly, has provided some guidance on requirements, and has initiated a consumer survey.

Consumers are often inadequately informed as to the resource implications of their requirements. Although they need not be intimately involved or knowledgeable concerning the details of the intelligence resource allocation process, they should be informed when the cost of their intelligence requirements has significant cost or trade-off implications.

Crisis management. The consumer relationship becomes especially crucial during crises. It is essential that intelligence analysis in critical circumstances proceed from an understanding of operational policy decisions so that the likely reactions of the other side can be assessed. The White House, State, Defense and the DCI all have major roles to play in improving procedures to develop better intraagency, interagency and White House ties.

In times of crisis, each Agency organizes itself to maximize support for its chief who participates in crisis management decision-making through

the NSC's Washington Special Action Group or less formal arrangements. These generally work well; but, there is little overall coordination of agency activities. They often result in a large volume of unevaluated information at the top. Timeliness of intelligence reporting has taken precedence over careful analysis and interagency coordination. The future challenge is to ensure adequate analysis and timely reporting and to provide for more interagency dialogue.

National intelligence support to field commanders. National collection systems can provide information to military commanders at the level of detail needed for planning and conducting military operations, but their utility as wartime assets remains to be tested. Military intelligence is an essential element of the combat commander's force. National collection assets offer promise of contributing significantly to the commander's intelligence needs. If the national assets cannot meet requirements for timeliness, accuracy, availability, dependability and survivability in a combat environment, however, combat commanders will remain understandably reluctant to become overly dependent on national collection systems. An effort is currently under way to provide processed information directly to military commanders at the theater level and below.

Secrecy and compartmentation. Access to some intelligence information at both the policy and operational levels requires special clearances, which are considered necessary to protect sources and methods of



intelligence and other sensitive information from unauthorized disclosure. A classification system established by an Executive Order, reinforced by unusual employment termination authorities over employees of CIA and NSA, and a series of less than airtight criminal statutes are used with varying degrees of effectiveness to protect intelligence. For many years, it has been recognized that these procedures and sanctions are inadequate to accomplish their task and to allow the DCI to fulfill his statutory responsibility to protect sources and methods.

In part because of the inadequacy of classification and statutory sanctions, a number of special control systems for particular types of intelligence information have been developed. Compartmentation, properly applied, permits a broader dissemination of less sensitive material while protecting the most sensitive. However, procedures to remove classified information from control systems are usually elaborate and time consuming. A continuing problem is the difficulty of ensuring that consumers have access to the kinds of intelligence products they require. Separate control systems also inhibit useful intelligence analysis and production. Compartmentation procedures in some organizations artificially divide the intelligence data base and make it difficult -- in some cases impossible -- to store and integrate information collected at great costs. Much has been done to sanitize and decontrol intelligence to make it more widely available. More remains to be done. In undertaking such changes, sensitive material must be protected.

C. Well-Directed Intelligence Activities

Consideration of the third objective -- ensuring well-directed intelligence activities -- starts with the National Security Act of 1947 which gave CIA the responsibility to advise and make recommendations to the NSC and to correlate and evaluate intelligence relating to the national security. Existing Presidential directives state that the DCI "shall assume leadership of the Community in planning, reviewing, coordinating, and evaluating all intelligence programs and activities, and in the production of national intelligence." Today, the DCI has resource and line control authority over only one part of the Intelligence Community -- the CIA. His Community responsibility to set requirements and priorities for collection is established in NSC directives and is exercised through a variety of committees and ad hoc arrangements. The DCI must coordinate all national intelligence resources to assure that military, economic and political concerns receive appropriate emphasis. The Secretary of Defense must ensure that his military intelligence organization, as an integral part of the national intelligence community, provides information to all echelons of command. The increasing capability of national collection assets to provide intelligence to field activities calls for closer interagency cooperation in a number of areas:

Peacetime/wartime transition. In peacetime, centrally-managed technical collection systems such as the National Reconnaissance Program



and the Consolidated Cryptologic Program are controlled by a variety of mechanisms in which the DCI's influence varies. In wartime, Defense intelligence requirements are paramount.

For transition to wartime, the Joint Chiefs of Staff and the DCI have concluded formal understandings governing military/CIA command relationships at the theater level in war and contingency situations. There is, however, no peace/war transition agreement at the national level. Closely related is the question of whether existing arrangements provide for an effective transition to crisis and hot war conditions. Formal agreements concerning DCI and CIA support to Defense in time of war could enhance collaboration between the two organizations in time of peace.

Control over Community resources. The DCI has direct resource control over the CIA, less direct control but substantial influence over the National Reconnaissance Program, and influence through the requirements process and the recommended program budget over the General Defense Intelligence Program and Consolidated Cryptologic Program.

Budget development and execution occurs primarily within the departments. However, the National Reconnaissance Program budget developed by an Executive Committee (ExCom) made up of the DCI and the Assistant Secretary of Defense for Intelligence.

Although the budget is handled primarily within the departments, the DCI submits each year a set of program recommendations to the President

for his consideration in preparing next year's budget. In this document the DCI discusses important aspects of the U.S. Foreign Intelligence Program, presents his position on budget issues, and displays a recommended level of Community resources for the coming year. Because it is superimposed on the normal budgetary process, there have been problems of timing associated with this submission. It must be formulated after the preliminary budgets are formed and the issues defined and debated, but before the President's budget is assembled.

The DCI also uses two interagency advisory review mechanisms:

- The United States Intelligence Board (USIB). The USIB was established to advise the DCI and identify information needs and requirements. When the information requirements can be readily translated into resource requirements, they influence resource levels.
- Intelligence Resources Advisory Committee (IRAC). The IRAC was established to advise the DCI on the preparation of the intelligence budget and the allocation of resources among programs. It has as members the DCI and senior representatives from State, Defense, the CIA and OMB.

There is no single central controller of intelligence resources. Trade-offs among collection, processing and production functions seldom are made, in part because of the diverse budget review process. It is



difficult to relate resource inputs to product outputs. While there is a tie between processed intelligence input and finished analytical output, the relationship of product to processing and collection activities except in isolated circumstances is difficult to quantify. Further, decisions tend to be made in terms of particular sensor collection capabilities to the exclusion of consideration on an across-the-board basis among available resource options.

Clandestine collection and covert actions. CIA, and to a limited extent the military services, conduct clandestine collection abroad. The importance of such collection remains high in learning about the secret activities, plans and intentions of foreign states.

Cover is essential to CIA's clandestine collection. Few foreign governments could tolerate an openly identified CIA contingent. As the size of the American official presence abroad has decreased in recent years, so has the opportunity for official cover for CIA operatives. CIA has made increasing use of non-official cover; but these arrangements are generally costly and inefficient and sometimes dangerous to the operative. The CIA and State have been unable to resolve to their mutual satisfaction how much and what kind of State Department cover can be provided.

Clandestine collection by its nature is often extremely sensitive politically. Because of the importance of secrecy in these matters, coordination of sensitive clandestine collection has tended to be worked

out at the local level, between the Ambassador and the CIA Station Chief. Public Law 93-495 expresses Congress' view that coordination is essential. While a limited amount of Washington-level coordination takes place at working levels between State and CIA, mutually acceptable procedures have not been achieved.

Covert actions, including political and psychological projects and paramilitary warfare, have been carried out by the CIA almost since its inception. Proposals for moving covert action out of the CIA have been made many times but have always been rejected.

Review, coordination, and approval of covert operations is the responsibility of an NSC subgroup, the 40 Committee. The Murphy Commission and congressional observers have criticized this committee for inadequate deliberation and staff support and for failure to represent a broad enough diversity of policy-makers. At times in the past, 40 Committee meetings have not been held; decisions were made by telephone or written correspondence. Inadequate time for staff consideration has been a criticism both within the government and outside. Although the 40 Committee charter calls for annual reviews of ongoing programs, this direction has not always been followed. The Attorney General has served on the 40 Committee in the past, but served more as a trusted Presidential aide than as the government's chief legal adviser.

D. A Need for Change?

Since 1947, major changes have occurred in the size and scope of the responsibilities and activities of the Intelligence Community. Over this period the DCI's Community leadership has remained basically constant; however, the intelligence leadership structure within Defense has become increasingly centralized. A wide assortment of committee arrangements has been developed to advise the DCI, who has coordinating authority, and managers within the Community, who have resource and line authority.

In the oversight area, new arrangements seem required. Although the publicity of the last year was probably the most effective safeguard possible against potential impropriety, the preferred prescription for the future is not continued exposure, but rather sound oversight within the Community, at the Executive Office level and in Congress.

With respect to the management and control of Intelligence Community resources, the 1971 Presidential Directive gave the DCI a resource review responsibility for the entire Intelligence Community but no statutory or fiscal authority to enforce such a responsibility. Arguments for centralization based upon the growing resource management task stress the DCI's lack of real authority and the Intelligence Community's increasing reliance on expensive collection systems which require central management to serve the full range of potential consumers. Counter-arguments stressing the need for greater, or at least unimpaired, departmental authority point to

the substantial influence that the DCI has exercised under present directives and arrangements. They also contend that major technological collection programs, such as the National Reconnaissance Program and Consolidated Cryptologic Program have worked well, are responsive to national requirements, and represent a form of Community management that while decentralized makes effective use of scarce resources and expertise.

Proponents of major organizational change believe that new institutional arrangements at the top of the Community are necessary for effective consideration and solution of many complex problems. Opponents, on the other hand, believe major organizational change is not required and would be disruptive, reduce morale and actually decrease efficiency, at least in the short run.

As a final point, it is generally agreed that the House and Senate Select Committees will make proposals for reorganization and that the President would be well advised to set forth his own proposals which could be useful as guides for Congress in its deliberations. On the other hand, while such proposals will be advanced, there is no certainty that Congress will act.

IV. ACTIONS TO PREVENT ABUSES

Recent events have demonstrated the need for improvement in existing control procedures over the Intelligence Community within the Executive Branch and in Congress. Changes in both organization and procedures to provide additional control are examined below.

A. Guidelines for Propriety and Restrictions

A code of standards for the conduct of intelligence activities is needed. A draft Executive Order has been prepared for intelligence agencies (excluding the FBI) which sets restrictive guidelines for domestic activities (e.g., mail opening, infiltration of dissident groups, illegal electronic surveillance, inspection of tax returns, collection of information on U.S. citizens and drug testing) and which limits activities which can be taken to protect intelligence sources and methods. Approval and dissemination of an Executive Order is a necessary first step toward providing the guidelines within which the Intelligence Community must operate.

B. Oversight

A number of legislative proposals have already been introduced to enhance the congressional oversight role. Two distinct possibilities are emerging:

- Establishment of a joint oversight committee with responsibility to review all intelligence activities; and
- Establishment of a wider General Accounting Office role in review of intelligence.

Against this backdrop, three tiers of potential options exist within the Executive Branch:

1. Executive Branch oversight -- within the Intelligence Community.

The DCI currently utilizes an Inspector General (IG) to review only CIA activities. Each agency is responsible for carrying out an inspection function of its own activities. Special clearances and sensitive aspects of intelligence functions have inhibited deep scrutiny in the past. Two options can be considered:

- Strengthen the inspection function in each agency;
- Establish a Community IG under the DCI.

Establishment of a Community IG should reflect the planned future role of the DCI. Conflicts may arise between a Community IG and the intelligence agencies regarding access and degree of authority. Also relevant is the decision on the need for a Counsel to the President, as addressed in the following section. The arguments for either a Community IG or oversight at the Presidential level are fairly clear, but the functions of the two would overlap. Some would question the need for both.

2. Executive Branch oversight -- outside the Intelligence Community.

A decision in this area should address the following:

- Usefulness to the President of an independent oversight official;
- Ability of this official to gather useful information; and
- Public perception of the change -- substantive or cosmetic.



Three options have been identified:

- The Attorney General, who would advise the President through use of a staff established within Justice to monitor intelligence activities; or
- A Special Counsel to the President, together with an appropriate staff, who would be responsible for advising the President on the legality and propriety of intelligence activities; or
- A government-wide Inspector General, who would also respond for the President to improprieties in Federal activities beyond the Intelligence Community. His appointment would demonstrate a willingness to address other Executive Branch improprieties.

3. Executive Branch oversight -- by outside Government personnel.

Another approach to oversight involves the use of a non-government group to advise the President. Two options are identified:

- Adding an oversight responsibility to the President's Foreign Intelligence Advisory Board (PFIAB); or
- Establishing a new oversight group.

The Rockefeller and Murphy Commissions both strongly endorsed the concept of expanding the PFIAB charter. The key question to be resolved here is the extent to which an advisory group (even with a permanent and expanded staff), meeting on an occasional basis, could effectively oversee ongoing intelligence

operations. Expansion of the PFIAB charter should probably be coupled with appointment of a more diversified membership. Determination of whether to use the PFIAB or to establish a new group depends heavily on consideration of the extent to which the PFIAB's primary role in the past -- encouragement of the Intelligence Community to do the best job possible -- would be diluted by, and perhaps even conflict with, this new responsibility.

C. Intelligence Policy Coordination

A number of intelligence activities impact on policies -- domestic, diplomatic and military -- outside the Community. The NSC has the statutory duty of integrating domestic, foreign and military policies. This duty is currently carried out through NSC directives and NSC committees. Coordination of intelligence activities, in large part due to their highly sensitive nature, remains a difficult problem. Ad hoc arrangements have, with varying effectiveness, been used to integrate policy in intelligence-related areas such as surveillance of Americans, official cover for clandestine operations and communication intercepts.

The organizational focus within the Executive Office should address:

- The ability to coordinate the efforts of foreign intelligence, counterintelligence, and domestic intelligence on specific projects; and
- The public and Congressional perception of Executive Office control over intelligence activities.



Three options have been identified:

- Expanded Use of the NSC Structure. The NSC structure could be better used to integrate policies involving domestic and foreign intelligence. NSC Committees could be augmented to include Justice and Treasury. Other departments could be brought in as the subject demands. Either a new committee could be established, or the functions assigned to the NSC Intelligence Committee could be expanded.
- Intelligence Adviser to the President. One person located in the Executive Office could be assigned responsibility for integrating those interagency policies affecting foreign and domestic intelligence activities. A special adviser would have some authority and high public visibility. Ad hoc committees could work with the intelligence adviser and his staff on designated problems; oversight responsibility could also be assumed. Conflicts with the NSC could occur, however, because the special adviser's responsibilities would overlap those of the NSC.
- Improved DCI/Agency Coordination. Foreign and domestic policy considerations involving foreign intelligence efforts could be handled through existing informal mechanisms directly between the DCI and involved agency heads without White House participation. This would require re-examination of the current role of the DCI.

D. The 40 Committee

The NSC's 40 Committee provides policy approval for covert actions. The group is chaired by the Assistant to the President for National Security Affairs and includes the DCI, State, Defense and the Joint Chiefs of Staff. The Attorney General is formally a member but has not been an active participant in recent years.

While formal review procedures have been established, there is a general perception by Congress and independent commissions that there has been an inadequate substantive review of proposed actions. Improved review might be achieved by:

- Reinstating formal committee meetings on all significant covert and sensitive requests;
- Redesignating the Attorney General as a committee member with additional representation from other departments as the subject demands (with attention paid to possible conflict of roles for the Attorney General if he is designated as the President's intelligence inspector); and
- Adding staff to provide non-departmental substantive analytic input on the need, risk and potential benefits of each operation.

