ISBN 0-16-046367-X

THE CURRENT AND FUTURE STATE OF INTELLIGENCE

HEARING

BEFORE THE

PERMANENT

SELECT COMMITTEE ON INTELLIGENCE

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

FEBRUARY 24, 1994

U.S. GOVERNMENT PRINTING OFFICE

83-569 WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-046367-X

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THE CURRENT AND FUTURE STATE OF INTELLIGENCE

THURSDAY, FEBRUARY 24, 1994

HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC.

The committee met, pursuant to call, at 2:05 p.m., in Room 2325, The Rayburn House Office Building, Hon. Dan Glickman [chairman of the committee] presiding.

Present: Representatives Glickman, Torricelli, Skaggs, Bilbray, Pelosi, Combest, and Bereuter.

Staff Present: Michael W. Sheehy, Chief Counsel; Stephen D. Nelson, Minority Counsel; Richard H. Giza, Senior Professional Staff Member; Kenneth M. Kodama, Senior Professional Staff Member; Diane S. Roark, Professional Staff Member; Virginia S. Callis, Auditor; Calvin R. Humphrey, Counsel; John I. Millis, Professional Staff Member; Patricia M. Ravalgi, Analyst; Mary Jane Maguire, Chief of Registry; and Ilene B. Romack, Staff Assistant.

The CHAIRMAN. Okay. Thank you all.

I want to first make it clear for the record, this hearing has been set for at least 30, if not 45 days. It is an annual presentation to the committee on the state of intelligence and the future of intelligence in the world. So it just is a coincidence it is being done at the same time as the Ames situation. It was scheduled way beforehand. So I want to make that clear for the record.

I have an opening statement. Then I will yield to Mr. Combest.

I am pleased to welcome the Director of Central Intelligence, Jim Woolsey, to the Committee this afternoon to address the current state of intelligence and its future direction. I might say parenthetically he has cooperated with this committee with respect for our desire to continue the openness of the process of the intelligence community; and while we have had some disagreements on some of the legislative items, I have the highest praise for his desire to want to be as open as possible about the future of the intelligence community. He should be commended for that.

Today's open hearing serves as a starting point for a series of hearings the Committee will hold in the next two months which will examine in great detail the National Foreign Intelligence Program and the Tactical Intelligence and Related Activities of the Department of Defense, the two parts of the intelligence budget.

When the committee held its first hearing of the 103d Congress in public session with Director Woolsey, we had 11 new Members who were neophytes to this mysterious and often arcane world of

intelligence. At that time, I said it was important that intelligence be demystified to the extent possible.

Director Woolsey, as well as other senior officials in the community, have gone a long way in educating and informing the Members. A year later, I can unequivocally state that the Committee has developed an understanding of the intelligence community, the systems it utilizes, the "INTS" that collect human, signals and imagery intelligence, how the analytic product is developed, and more importantly, how those products serve policymakers and users.

I can also say that during the last year that Director Woolsey has been a very articulate and active spokesman on matters of both intelligence and threats to national security. He has broken new ground by appearing on "Larry King Live" and giving interviews on other network news shows. This has improved the public's understanding of intelligence and the contribution it makes to our national security posture.

In building on that process, today the Committee would like a better understanding of: How a changed world has led to a restructuring of requirements; how that has impacted on resources and personnel; how you are reshaping the community to address current needs of intelligence consumers; and most importantly, how you are shaping this community to meet the challenges in the future.

"Reshaping this community, economizing our resources, and operating more efficiently" are the very words that you used a year ago. You also indicated to the Committee that you would be presenting us with a strategic plan for the future, and we are very much interested if that plan is ready.

In conjunction with our colleagues on the Science, Space, and Technology Committee—to which we owe a debt of gratitude for the use of this hearing room today. You will note as you look around the room that it is all space related—we held an open hearing a few weeks ago on remote sensing, and this Committee held a hearing on the industrial base as it relates to intelligence systems.

I hope you will be able to provide us some examples of how we are getting more out of some of these systems, how they are serving a broader range of consumers, and how you are tailoring these resources to meet future needs.

Much of our information needs are being accomplished through the exploitation of open sources because the world is much more accessible today than it was during the Cold War. Yet, that information, too, has a cost not just in dollars. For example, that information often is also available to the public through CNN.

While we cannot make foreign policy based on CNN's images, we cannot ignore that the media has a dramatic bearing on how the public perceives national security issues whether it was Somalia last October or the recent tragic mortar attack in Sarajevo. This in turn reflects on the intelligence community and what the policymakers and military planners demand from intelligence, making it imperative that we continue efforts to demystify intelligence.

I hope you will be able to provide us, and by way of this open hearing, the public too, a better flavor for this complex issue. The Committee and the public which often gets no more than 30-second sound bites—need a better understanding of what I term "the texture" of intelligence and, most importantly, an appreciation of where you plan to lead this intelligence community in the future.

Before recognizing Mr. Combest, Director Woolsey, I want to address some of the broader issues. The committee will be interested in concerning the Ames case without talking about that case in specificity. As serious as this case is, and it is, I believe we, the United States, would make it equally serious and a worse mistake to let it alone determine the fate of our relationship with Russia.

The rush to judgment of the last couple of days primarily here on Capitol Hill among many of my colleagues to suspend and cancel U.S. aid to Russia because of this case is, in my judgment, misguided. That would have more profound and damaging ramifications on this critical relationship, thus on ourselves, than the damage done by Mr. Ames.

Cold War or no Cold War, the plain simple fact of the matter is both sides, the U.S. and Russia, engage in intelligence and espionage against each other. Those activities address a need for information not otherwise available.

Let me repeat, the fact we spy on each other may say something about the character of the U.S.-Russia relationship, but even during the depth of the Cold War, it did not chrome our relationship. This is less reason for us to let it do so now.

One more point you and I will discuss in greater detail in another setting, Director Woolsey, is this: The Ames case raises disturbing questions about the controls and management of the counterintelligence activities within the CIA. However, I can assure you the committee intends to examine closely what the Ames case means for the intelligence community. It is incumbent upon us to do so and we will.

While in no way prejudicing any criminal cases now pending or to be filed, the committee intends to conduct an extensive, exhaustive review of this case. I expect nothing else than complete and full cooperation from the intelligence community.

This is not and will not be a witch hunt. It will, however, be an aggressive examination of what went wrong and what must be done to improve management of counterintelligence activities. It is in all our mutual interests to get to the bottom of this, learn the lessons and apply them vigorously.

Now, I would be glad to recognize the Ranking Member, Mr. Combest, for his comments.

[The statement of Mr. Glickman follows:]

Opening Statement of Chairman Glickman

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Much of our information needs are being accomplished through the exploitation of open sources because the world is much more accessible today than it was during the Cold War. Yet, that information, too, has a cost not just in dollars. For example, that information often is also available to the public through CNN. While we cannot make foreign policy based on CNN's images, we cannot ignore that the media has a dramatic bearing on how the public perceives national security issues—whether it was Somalia last October or the recent tragic mortar attack in Sarajevo. This in turn affects on the intelligence community and what the policymakers and military planners demand from intelligence, making it imperative that we continue efforts to demystify intelligence.

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Mr. COMBEST. Mr. Woolsey, I join the Chairman in welcoming you to this open session of the House Intelligence Committee.

The Committee has requested that you provide us with a focused presentation on, I quote, "the complexities of the intelligence process, the changing requirements, reductions that have and will be made, and the challenges and uncertainties that intelligence will face in the future." Moreover, the Committee has asked that you brief on management initiatives, economization of resources, and increasing responsiveness to consumers.

That is quite a charge to you, and I am eager to hear your statement. It is not merely because these are topics on which you owe us responses; indeed, you have already addressed most of them, sometimes at length, in closed sessions. Rather, I am eager to see how well these topics can be handled in an open, unclassified hearing.

Such hearings before our committee are in large part to increase the public's understanding and appreciation of the contributions of intelligence to our national security. This objective dovetails with your admirable efforts to foster a new level of openness in the intelligence community, and I am hopeful you will succeed today in addressing these important issues of real interest to the American people.

At the same time, I realize that in some areas you are being asked to defend the activities of intelligence community with, figuratively, at least one hand tied behind your back. You are confronted here today with the most basic dilemma of discussing intelligence openly: You cannot explain capabilities without compromising them, you cannot cite specific successes without dooming the hope of their repetition, and you cannot defend without neutralizing the efficacy of that which you seek to preserve.

Nonetheless, I am hopeful this hearing will be useful and informative for the Committee as well as to the public at large. If I could choose only one thing to come out of this hearing, it would be to put to rest forever the idea that the intelligence community is still wrestling with overcoming the mindset of the Cold War.

That worn out fiction, I hope, had its last echo in debate on last year's intelligence authorization bill from the mouths of a few who felt compelled to criticize the intelligence community without bothering to learn anything about it. I and many Members of our committee involved in oversight of the intelligence community have been pleased to note this last year that you have redoubled the community's effort continuously to adjust resources to be fully responsive to the fast-breaking needs and requirements of the policy makers.

Mr. Woolsey, you and the intelligence community are having to cope with some monumental challenges. You must cover the waterfront internationally. You must monitor and, if possible, hamper the proliferation of weapons of mass destruction and the plotting of terrorists. You must ensure our trade negotiators are apprised of global economic trends and where the playing field of free trade is uneven. You must provide ground truth and behind the scenes insights into developments from every corner of the globe.

Moreover, you must not let up your efforts against the enduring menace of nuclear weapons in unstable states and the activities of despots and hostile regimes. Finally, you must do all these things and many more with ever diminishing financial and personnel resources.

This hearing gives you a chance to describe, as best you can in an unclassified environment, how you are meeting these challenges.

The CHAIRMAN. Thank you.

You may proceed, Mr. Woolsey. The Members will be recognized for questions in the order that they are here right now.

[The statement of Mr. Combest follows:]

STATEMENT OF CONGRESSMAN LARRY COMBEST

Mr. Woolsey, I join the Chairman in welcoming you to this open session of the House Intelligence Committee.

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STATEMENT OF R. JAMES WOOLSEY, DIRECTOR OF CENTRAL INTELLIGENCE

Mr. WOOLSEY. Thank you, Mr. Chairman.

Let me just say in response to both your and Mr. Combest's opening remarks that, for the year or so that I have been in this job, I have been in the process of beginning, along with the Secretary of Defense, an important review of security practices within the intelligence community and the Defense Department.

I will refer to this in my remarks, but I think it is appropriate here to mention up front one of the efforts we have made is the appointment of a Joint Security Commission which will report very soon to the Secretary of Defense and myself; and this commission, among other things, has looked carefully into such matters as reliance on the polygraph, focusing on financial status of individuals in the government by way of keeping track of security matters and the rest.

So, both the commission report, and the Secretary of Defense and I as individuals and in our official capacities, look forward to working with you and the committee on review of security as it applies to the Ames case and to the issues in general.

I might add, you will have our full cooperation in this review as you do in all things. I would add, there have been some efforts in

the Congress over the course of the last several years which have been begun and then not finished in this area.

One I was identified with myself, as an adviser to the Senate Select Committee on Intelligence, was back in 1989 when I was in private law practice. A group appointed by then-Chairman of the Senate Select Committee, Senator Boren, and Senator Cohen, then the Ranking Member, produced an interesting set of recommendations, some dozen or so that were embodied in legislation to improve security.

It was introduced by Senator Boren and Senator Cohen and then in 1992 was dropped and went no further as far as legislation was concerned. I didn't participate in the final stages of work on that because I was overseas on a diplomatic assignment; but there have been a number of responsible efforts over the course of the last few years to look at and approach and plan toward how to revise some of the features of security, including personnel, individual security in the U.S. Government, and that, I think, is appropriately a high priority for those of us in the executive branch and also for you here in the Congress.

I would add that with respect to the Ames case itself, I have made a public statement when I testified earlier this week in public session before this committee, and I will have nothing to add to it because the matter is in the hands of the courts. I will simply reiterate what the prosecutor, the Attorney General, and the Director of the FBI have all said, which is to praise in very high terms the cooperative work, the excellent professional work by both the FBI and the CIA that brought this case to the point where it is today.

Thank you, Mr. Chairman.

This is my fourth appearance before the Congress in open session and my second in open session this week before this committee.

I welcome these opportunities to explain to the American people the challenges that the Intelligence Community faces.

It is important to recognize that intelligence protects and serves America's interests, that it is changing to deal with the future, and that it will perform its missions more effectively and at lower cost.

No one appreciates more than I the delicate balance between explaining the value of intelligence—how we are making it more efficient and more responsive to our customers—and the vital need to continue to protect the sources and methods we use to gather it. And so I must at times leave out details about particular issues.

But I can say openly and without reservation that the United States possesses an Intelligence Community that is the very best in the world. It is a vital national asset that serves the President, his advisors, the armed forces, and the Congress every day.

Intelligence informs every substantial international activity of the United States government. It gives the United States a vital edge in managing its national interests. It warns of immediate crises—such as could occur in North Korea; it gives the U.S. policymakers advance knowledge of long-term dangers—including threats posed by countries that covet chemical, biological, or nuclear weapons; it safeguards public safety by countering threats from terrorists and drug traffickers; it supports the economic security of our country by uncovering foreign bribery and by evaluating

foreign interests that seek banking operations, for example, in the U.S.; it multiplies the effectiveness of our armed forces by providing detailed information to military commanders who must, for example, attack targets with precision guided munitions. And it carries out these responsibilities day in and day out behind the scenes, without fanfare.

As you know, I testified before the Senate Select Committee on Intelligence one month ago in open session to explain the threats to U.S. interests abroad. I will come before your committee, Mr. Chairman, over the next two months to describe many of these dangers in detail, so I do not intend for this session to be a threat hearing.

But when I reviewed what has happened over the last 30 days, I am reminded of the old Chinese curse: May you live in interesting times. Mr. Chairman, that is as true for intelligence as it ever was. Just in the last 30 days since I testified, we have tracked and analyzed a wide range of problems that pose potential and immediate dangers to U.S. interests abroad and to the safety of our armed forces.

Last month, I assessed the prospect that President Yeltsin would face difficult decisions to put an end to the heavy subsidies of inefficient industries and agricultural entities in Russia. I warned that looser fiscal and monetary policies could bring Russia to the brink of destructive hyperinflation.

Now, with the resignations of Yegor Gaydar and Boris Fedorov, the new government will be unlikely to end these subsidies. Inflation will continue, discouraging private investment, encouraging capital flight, and further impoverishing people with fixed incomes. The question is the degree of that inflation.

The changing political climate in Moscow, Russia's policies toward the newly independent states and growing Russian concerns about Western goals in Eastern Europe and the NIS continue to bear watching. There continue to be important successes, particularly the trilateral accord with the United States and Ukraine on dismantling nuclear weapons in Ukraine; however, external events, such as the conflict in Bosnia or East European desires to pursue NATO membership, have the potential to test Russia's relations with the West. Much depends on the ability of Russia and the key Western states and institutions to engage one another in a search for positive solutions.

Last month I noted that in Ukraine, a pro-separatist candidate could win the presidential election in Crimea. This happened, and the new president, Yuriy Meshkov, has appointed as top advisors three military officers who claim to have been dismissed by Kiev for their pro-secessionist views and he has proposed that Crimea allow the ruble to circulate freely along with the Ukrainian coupon. Ukraine is using Russian behavior on Crimea as a test of the trilateral agreement.

Last month I indicated that there may well be an upsurge in fighting in Somalia before American troops are withdrawn. This has come to pass. Interclan fighting recently erupted in the southern port city of Chisimayu, and clan battles and violent demonstrations by job seekers occur almost daily outside the U.N. compound,

airport, and port. U.S. personnel hardly venture out of their secure compounds.

Hunger is returning to some areas of Somalia because harvests have been poor and attacks on relief workers have disrupted food distribution. Two Italian workers were kidnapped for several days this month, and violence in the countryside has forced numerous relief agencies to shut down operations. Reconciliation talks continue between clan leaders, but growing violence cannot be ruled out.

These are but a few of the events which we examine and evaluate each day. And of course, in the last 30 days, the shelling of the market in Sarajevo—the killing of more than 68 innocents that outraged the world—led NATO, at the request of the United Nations, to prepare for air strikes against artillery positions around the city.

In recent days, as the President pointed out early this week, diplomacy backed by our decisiveness seems to have prevailed in Sarajevo. But the tension of last week illustrates how events could add yet another dimension to the role of intelligence in that troubled region of the world. If strikes were to occur, U.S. intelligence would be called upon to locate threats to our pilots and warn them in time to let them take action.

This would be a demanding task, but intelligence has done it successfully before: During Desert Storm, U.S. satellite reconnaissance systems gathered information on hundreds of Iraqi air defense systems, as did other intelligence collection systems. Some very dedicated intelligence officers interpreted this information and found the locations of these systems, giving our pilots the target data they needed to attack a very substantial number of them within a two-week period—dramatically reducing the Iraqi air threat.

All of these issues reflect the realities of a rapidly changing world. It is our job to understand these realities, to warn and inform our national leadership, to support our armed forces, and to reassess our collection and analysis based on their changing needs.

But the time has come to make a point: United States intelligence capabilities are being reduced to a level where, to compare it to last weekend's weather, we are skating on thin ice on a warm day.

We can and will continue to deliver information that is needed by the President, the armed forces, and the Congress to carry out the business of government, but the Intelligence Community is coming under substantial financial stress. Additional reductions below the President's budget request could bring essential programs within the Intelligence Community to the breaking point. Budget decisions that will be made this year will have great consequences later in the decade.

Our challenges are clearly before us: We must modernize our satellites and other key technical collection systems; we must deal with rapid changes in communications by investing in technology development; we must refocus the collection of intelligence by human sources to ensure we have insight on issues of the future; we must orchestrate analysis of the data to match the needs of our customers; and we must do all of this more efficiently—by using more open source material, for example, where we can—and with fewer people.

Mr. Chairman, I believe that all of these things can be done, but they can only be done if resources are adequate.

I have watched the fragility of the Intelligence Community grow over the past year, as has our newly confirmed Secretary of Defense. We have, of course, been mindful of the need to cut efforts that were not essential and to refocus other activities. As Deputy Defense Secretary, Bill Perry and I met some 25 times over the past year, spending over 70 hours on joint program reviews of both the national intelligence programs that I oversee and the tactical programs that are under DOD responsibility. We scrubbed each program carefully. Together we have ensured that intelligence has been pared back to the absolute minimum to still get the problem done. This year, we cut almost $1 billion out of planned requests to still get the job done.

These joint reviews are of historic importance—not only because they have never been done before, but also because they are a recognition that the old distinctions between national and tactical intelligence are less relevant in today's technological world. The utility of intelligence to war—its avoidance and its prosecution—has never been more clear.

In fiscal year 1995, spending for intelligence will stay essentially flat when compared to last year. In effect, we are taking a real cut in programs because of inflation. Since 1990, moreover, the total intelligence budget has declined by some 14 percent in real terms. It has declined because we have been able to do away with programs that were largely tied to the Cold War and which were no longer needed. But it has also declined because some past reductions have had the effect of requiring U.S. to eat our seed corn. Let me give you but one example.

We depended heavily on technical collection programs to support and protect our troops in Desert Storm. But since Desert Storm, we have not begun work to modernize and replace our larger and more important programs. These grow old, just like automobiles. Power and control systems fail, less data is collected, and eventually they no longer work. When your car wears out, Mr. Chairman, you either fix it or buy a new one. It is very difficult to repair some of these types of collectors, so we must build new ones.

We plan to replace the satellites we have in space, for example, with ones that have more advanced technology. These advances—and changing collection needs of our customers—mean that with the right mix of satellites, and other technical collection systems, we can deploy a much smaller satellite constellation than what we had during Desert Storm. This will mean a very substantial reduction in the number of programs. We plan an even greater reduction in the number of satellite ground stations. These are real savings. As in most areas, savings of this sort require new investment up front in order to properly carry out program reductions over time.

This modernization plan is both realistic and affordable. It will lead to substantial savings over the long run and still deliver the capabilities the country needs. But make no mistake. These reductions will expose the country in some ways to greater risk. With a smaller number of satellites, every launch takes on greater importance.

Mr. Chairman, we must proceed and build the capability to deliver imagery intelligence to battlefield commanders. During Desert Storm, our commanders found that they had to wait too long for far too few pictures of battlefield areas. And in the field outside the Commander in Chief's headquarters, they had to wait still longer—precious hours during battle—for the pictures to get into their hands because of antiquated procedures for delivering them. These problems constituted General Schwarzkopf's primary criticisms of intelligence support during the Gulf War. These problems must be corrected. We will make substantial progress toward correcting them if the Congress approves the plan we have laid out in this budget.

Mr. Chairman, I can't tell you with precision when or where the next crises will occur five years from now or even one year from now. Casey Stengel once said that forecasting is always difficult, especially about the future. But as the last 30 days have shown, crises are bound to happen. And we must have the capability to deal with them—quickly, flexibly, and reliably.

Let me also say just a word about the challenges we face in the collection of communications intelligence. Here not only are our targets more diverse—we focus less now on the former Soviet states—but the technical nature of the communications information is changing. Data is moving around the world in greater volumes and at faster speeds than ever before. In a world where information is power, where the capability to guide a precision-guided munition to a military target, for example, rests upon understanding the target in great detail—in these and many other areas the United States possesses an enormous advantage. We cannot afford to allow this capability to atrophy.

Substantial new investments must be made to deal with the changing communications environment. As you know, Mr. Chairman, we have prepared a strategic plan to do this. We have reduced reliance on manned overseas sites in favor of mobile and fixed collection systems that can be operated remotely. By the end of the decade, we plan to close many of our large, manned collection sites overseas. In addition, we are establishing within the United States four joint-service Regional SIGINT Operations Centers, each focused on a specific target region and drawing on a wide range of collection sources.

We are also continuing to invest in understanding secret foreign communications and protecting our own, a capability in which the United States leads the world. The skill to accomplish this is cryptology. The reading of others' signals protected by codes, ciphers, and complex electronic countermeasures is known as cryptanalysis.

Maintaining our advantage in these areas will depend upon preserving a strong and robust cryptologic capability in the face of unparalleled technical challenge. We can only continue to enjoy the advantage we have today through aggressive research and engineering efforts to keep one step ahead. Supercomputing power will be the key to maintaining our advantage.

If we fail in these endeavors, adversaries will have free rein to buy weapon technologies that could threaten our friends and allies, drug traffickers will operate with impunity, our citizens will be ex-

posed to increased risk abroad, and our armed forces will face unnecessary risk on the battlefield.

The challenges we confront in the collection of human intelligence are equally important. We must continue to collect information on issues that could undermine United States national security or otherwise affect our interests. For our military customers, particularly since the military has been forced to reduce significantly, top quality foreign intelligence saves lives and is an essential factor in whether or not you have the information you need to conduct successful military operations. Our collection goals reflect the needs of the new era. Priority objectives include information on weapons-related proliferation, weapons of mass destruction and the missiles to carry them, counternarcotics and economic security issues.

In this new post Cold War era, our officers face more dangers than ever in our history. The January 1993 murder of two CIA employees in front of the Headquarters building is one tragedy which I can speak of here. As you know, Mr. Chairman, other intelligence officers have given their lives in the past year. Collecting critical information on terrorists or weapon proliferators, for example, is difficult and dangerous work. It must be done in nontraditional ways; so we are devising new methods for our intelligence officers to conduct business while better protecting our sources and secrets.

For example, in our fiscal year 1995 budget we plan to merge our human collection assets in the military services into a single management structure. These units are critical to helping our military understand the capabilities and intentions of worldwide adversaries as diverse as the Iraqi army or Somali warlords. The new consolidated service will save money and provide better support and responsiveness to the Unified Commands by eliminating separate tasking and reporting chains and by eliminating potential duplication in the placement of collection sources. This kind of streamlining is essential to preserve core intelligence capabilities in the face of declining resources. I might add, parenthetically, Mr. Chairman, I am quite proud of the effort General James Clapper, Director of the Defense Intelligence Agency, has taken in forming this joint human intelligence service under the Department of Defense.

In many ways, the changes we are making in collection are matched by adapting our analytical capabilities to new problems that support new customers. One example is the support that we provide to the United States Mission to the United Nations.

Last year I assigned senior people from agencies throughout the Intelligence Community to work with the U.S. Mission here and in New York.

In addition, I have increased our analytical commitment to U.N. issues and taken steps to enhance coordination among analysts working on U.N. problems.

These steps have made it possible for U.S. to respond in a more timely fashion to ad hoc requests from the Ambassadors and from the Mission staff in New York.

There are clear guidelines for sharing of intelligence, on a case-by-case basis, in response to requests from the U.N. To date, the Intelligence Community has agreed to share intelligence with the U.N. to support three important operations; the Defense Intelligence Agency has been the focal point for these specific activities. These include: Cambodian peacekeeping operations that were terminated in November 1993, the U.N. Mission to Somalia, which began in March 1993 and continues today, and sharing on the former Yugoslavia, which began in August 1993 and continues today.

Information is passed to U.N. field commands via military communications networks. The same information also goes to the U.N.'s new Situation Center via the U.S. Mission to the U.N. in New York. And some material is also provided directly to senior officials in the U.N.'s Department of Peacekeeping Operations.

Intelligence also supports disaster relief. The National Photographic Interpretation Center has assisted the Federal Emergency Management Agency and other civilian agencies to collect information on the magnitude of natural disasters quickly and efficiently. This information has proven critical for quick assessments of emergency needs. For example, maps on the Mississippi flooding and on the Los Angeles earthquake have been given to FEMA officers in the field to help them direct relief efforts.

During the Mississippi floods, NPIC found evidence of a new channel forming from a levee break before it would have been discovered by other means. This gave local officials warning to prevent permanent changes to the river bed. In every case, this support is done at the request of agencies outside the Intelligence Community and is reviewed by my General Counsel to ensure the legality of the undertaking.

These are but two examples of how intelligence is serving new customers. But we have also cut back where customer needs have changed—in many cases dramatically. For example, we have substantially cut technical support for processing and analyzing signals gathered from missile, space, and aircraft tests—the technical data which we use to characterize weapon performance.

These cuts have reduced our cadre of telemetry experts to bare bones. Further cuts cannot be sustained without getting out of the business of telemetry interpretation altogether. This would be most unwise, and I am prepared to explain why to you in closed session.

I recognize that maintaining high quality service to all our customers is a task that is never finished. That is why I established jointly with DOD a new national needs process which provides a detailed, systematic description of customer needs that span both national and defense interests.

A key feature is the appointment of senior substantive experts to oversee the Intelligence Community's collection and analytic efforts in some 17 issue areas. These issue areas cover regional concerns as well as key topical areas—such as proliferation, terrorism, narcotics, economics, and critical areas of support to military needs.

Issue coordinators are charged to: Maintain close contact with their consumers, understand their needs and inform them about the level of support they can expect from U.S. intelligence. Issue coordinators will develop Intelligence Community strategies to guide collection and analytic efforts.

And they will conduct periodic assessments of the Intelligence Community's performance in meeting consumers needs, identify

shortfalls and gaps, and bring these to the attention of senior managers during preparation of the intelligence budget.

This process is now up and running, and issue coordinators will soon complete their first annual strategic overviews. Their overviews will identify key areas for U.S. intelligence focus over the next 12 to 18 months, and will highlight critical gaps in the information which will be needed to answer our customers' questions.

The Intelligence Community stays in contact with its customers at every level. The Chairman of the National Intelligence Council meets every other week with senior policymakers to discuss upcoming issues and needs. Intelligence officers build new relationships with their customers every day and serve on rotation throughout the national and defense communities. At the CIA alone, for example, the number of intelligence officers assigned to policy agencies has risen nearly 70 percent since 1990.

The intelligence gaps we identify via the new needs process will help U.S. identify areas where we must invest in the future. At the same time, Bill Perry and I have instituted management procedures that will ensure new investments are made rationally and efficiently. We have taken steps to streamline programs that have been carried both in the national intelligence budget and the tactical intelligence budget. We have done this by consolidating programs into one budget area. Such transfers make good economic sense.

They are one result of a year-long effort to reorient intelligence program management to achieve a closer coupling of national and tactical intelligence. The transfers ensure that all intelligence related resource claims within a single overall budget are fully considered. And they also ensure that I, jointly with the Deputy Secretary of Defense, review and implement a common budget framework and issue joint program guidance.

These program decisions were rooted in a January 1993 Community Management Review and a Presidential Transition Report, as this administration came into office, which urged closer Defense/Intelligence relationships.

They move the Intelligence Community toward accomplishing the streamlining goals in the Vice President's National Performance Review.

And they respond to language from your committee, Mr. Chairman, in mid summer that endorsed an emerging DCI/Defense approach to program management and which encouraged greater integration as a way to better define tactical intelligence activities.

I might informally, Mr. Chairman, point out when Bill Perry as Deputy Secretary and I conducted these 25 or so reviews of national and tactical programs, there was some discussion in advance among the various staffs about just what organization it was that was doing this review. This had not been done before. Who chaired it? What was the staff? And so on.

I had a single baseball cap made up with the word Chairman on it. Bill and I sat at the head of the table and reviewed simultaneously, meeting after meeting, the programs. We kept the baseball cap between the two of us. If anyone wanted somebody to put it on, that person would put it on. We decided to scrub the bureaucracy and get down to solving problems. I look forward to working

with the new nominee to be Deputy Secretary of Defense, Dr. John Deutch.

The Joint Defense and Intelligence Security Commission——

The CHAIRMAN. I don't know how long your statement is. Could we ask you maybe in five minutes to finish up?

Mr. WOOLSEY. I have five and a half pages left, and I am going at a page a minute, Mr. Chairman.

Mr. BILBRAY. Good answer.

Mr. WOOLSEY. The Joint Defense and Intelligence Security Commission, which was chartered in May 1993 by the Secretary of Defense and I to evaluate security policies and procedures of the Defense and Intelligence Communities, is another important part of our actions to streamline intelligence.

Policymakers, the military, Congress, industry, public interest groups, and security officials have voiced concerns that the current security system is unnecessarily inefficient, complex, and costly. Frequently, security is viewed as a barrier to the free flow of information to those who need it while not offering sufficient protection of information from those who would misuse it. I anticipate that the Commission's report will offer innovative ways to redefine and streamline our security system.

In formulating its proposals, the Commission recognized the importance of balancing the public's right to know, national policy objectives, and the sharing of information with the government's responsibility to provide security. As recent events indicate, of course, we must continue to be vigilant to safeguard our national security with these types of arrangements.

Mr. Chairman, with respect to the National Performance Review, in the interests of saving time, let me note the intelligence community has been in the lead in working with the Vice President on a whole range of efficiency focused efforts of the sort that the National Performance Review has indicated. There are specific examples on pages 21 and 22 of my statement.

I will conclude with a few quick observations about how we are managing the most important aspect of intelligence, our people and the issue of reductions in personnel.

I believe that we have a good story to tell in that each of the program managers is working hard to manage personnel reductions while maintaining the capabilities we have built to protect the national security of this country. The drawdown and how it is managed will affect the Intelligence Community for years to come. We are taking extreme care to treat all employees with fairness while assuring the appropriate demographic and skills mix for the future. This is a dramatic, difficult problem to do.

The Intelligence Community is in the midst of the most dramatic changes it has faced since the beginning of the Cold War. There is a great risk involved here—we know that we will not be successful in meeting our mission goals without paying close attention to the needs and concerns of the men and women who have chosen a career in intelligence.

The three major agencies with the majority of personnel—NSA, CIA, and DIA—are downsizing at the same rate following the 17.5 percent reduction by fiscal year 1997 directed by Congress. Working closely with Defense, we have chosen to continue reducing

through fiscal year 1999, achieving a 22.5 percent personnel reduction over the decade. I want to emphasize that while much of the rest of government will be working to reduce by 12 percent to meet the National Performance Review's goals—the Intelligence Community's reduction will be nearly double that by the end of fiscal year 1999.

To achieve the planned reductions, agencies have severely curtailed hiring and offered separation incentives for optional retirements, early retirements, and resignations. Achieving our diversity goals while meeting the reduction targets presents a formidable challenge.

Mr. Chairman, I will move to the very end of the statement.

I want to stress we are taking care as we make these reductions to treat each individual as a human being, an individual who is part of the intelligence family, to work to make the reductions in a fair and balanced way. The choices in working on these personnel issues has not been easy. But the understanding, the hard work, the quick reaction of this committee, and of the Senate Select Committee on Intelligence, have helped us take a careful and measured approach to personnel reductions. We must remain vigilant as we face grim realities in continuing this process.

Mr. Chairman, let me leave you with one last thought. Intelligence resources—like military forces—are a form of insurance. When something happens, it is imperative to have more than adequate amounts available. But there is more to intelligence than this analogy suggests. Intelligence is more valuable before an event happens the better, in many cases, to avert it. This is as true of forecasting an economic event detrimental to U.S. interests as it is of warning of a military or terrorist attack. The programs funded by this fiscal year 1995 request are designed to ensure that intelligence can carry out these fundamental tasks.

I have appreciated this opportunity to explain the challenges that intelligence faces in the future. I would be pleased to answer any questions you might have.

[The statement of Mr. Woolsey follows:]

OPENING STATEMENT OF THE DIRECTOR OF CENTRAL INTELLIGENCE

THE INTELLIGENCE COMMUNITY'S CHALLENGE: MODERNIZING IN AN ERA OF DOWNSIZING

This is my third appearance before Congress this year in open session and my second this week before this Committee.

I welcome these opportunities to explain to the American people the challenges that the Intelligence Community faces.

It is important to recognize that intelligence protects and serves America's interests, that it is changing to deal with the future, and that it will perform its missions more effectively and at lower cost.

No one appreciates more than I the delicate balance between explaining the value of intelligence—how we are making it more efficient and more responsive to our customers—and the vital need to continue to protect the sources and methods we use to gather it. And so I must at times leave out details about particular issues.

But I can say openly and without reservation that the United States possesses an Intelligence Community that is the very best in the world. It is a vital national asset that serves the President, his advisors, the armed forces, and the Congress every day.

Intelligence informs every substantial international activity of the United States government. It gives the United States a vital edge in managing its national interests. It warns of immediate crises—such as could occur in North Korea; it gives the

US policymakers advance knowledge of long-term dangers—including threats posed by countries that covet chemical, biological, or nuclear weapons; it safeguards public safety by countering threats from terrorists and drug traffickers; it supports the economic security of our country by uncovering foreign bribery and by evaluating foreign interests that seek banking operations for example in the US; it multiplies the effectiveness of our armed forces by providing detailed information to military commanders who must, for example, attack targets with precision-guided munitions. And it carries out these responsibilities day-in day-out behind the scenes, without fanfare.

As you know, I testified before the Senate Select Committee on Intelligence one month ago in open session to explain the threats to US interests abroad. I will come before your committee, Mr. Chairman, over the next two months to describe many of these dangers in detail, so I do not intend for this session to be a threat hearing.

But when I reviewed what has happened over the last 30 days, I am reminded of the old Chinese curse: may you live in interesting times. Mr. Chairman, that is as true for intelligence as it ever was. Just in the last 30 days since I testified we have tracked and analyzed a wide range of problems that pose potential and immediate dangers to US interests abroad and to the safety of our armed forces:

Last month I assessed the prospect that President Yeltsin would face difficult decisions to put an end to the heavy subsidies of inefficient industries and agricultural entities in Russia. I warned that looser fiscal and monetary policies could bring Russia to the brink of destructive hyperinflation. Now, with the resignations of Yegor Gaydar and Boris Fedorov, the new government will be unlikely to end these subsidies. Inflation will continue, discouraging private investment, encouraging capital flight, and further impoverishing people with fixed incomes.

The changing political climate in Moscow, Russia's policies toward the newly independent states, and growing Russian concerns about Western goals in Eastern Europe and the NIS continue to bear watching. There continue to be important successes, particularly the trilateral accord with the United States and Ukraine on dismantling nuclear weapons in Ukraine; however, external events, such as the conflict in Bosnia or East European desires to pursue NATO membership, have the potential to test Russia's relations with the West. Much depends on the ability of Russia and the key Western states and institutions to engage one another in a search for positive solutions.

Last month I noted that in Ukraine a pro-separatist candidate could win the presidential election in Crimea. This happened, and the new president, Yuriy Meshkov has appointed as top advisors three military officers who claim to have been dismissed by Kiev for their pro-secessionist views and he has proposed that Crimea allow the ruble to circulate freely along with the Ukraine coupon. Ukraine is using Russian behavior on Crimea as a test of the trilateral agreement.

Last month I indicated that there may well be an upsurge in fighting in Somalia before American troops are withdrawn. This has come to pass. Interclan fighting recently erupted in the southern port city Chisimayu and clan battles and violent demonstrations by job seekers occur almost daily outside the UN compound, airport, and port. US personnel hardly venture out of their secure compounds. Hunger is returning to some areas of Somalia because harvest have been poor and attacks on relief workers have disrupted food distribution. Two Italian workers were kidnapped for several days this month, and violence in the countryside has forced numerous relief agencies to shut down operations. Reconciliation talks continue between clan leaders, but growing violence cannot be ruled out.

These are but a few of the events which we examine and evaluate each day. And of course, in the last 30 days, the shelling of the market in Sarajevo—the killing of more than 68 innocents that outraged the world—led NATO, at the request of the United Nations, to prepare for air strikes against artillery positions around the city. In recent days, as the President pointed out early this week, diplomacy backed by our decisiveness seems to have prevailed in Sarajevo. But the tension of last week illustrates how events could add yet another dimension to the role of intelligence in that troubled region of the world. If strikes were to occur, US intelligence would be called upon to locate threats to our pilots and warn them in time to let them take action.

This would be a demanding task, but intelligence has done it successfully before: during Desert Storm, US satellite reconnaissance systems gathered information on hundreds of Iraqi air defense systems. Some very dedicated intelligence officers interpreted this information and found the locations of these systems, giving our pilots the target data they needed to attack a very substantial number of them within a two week period—dramatically reducing the Iraqi air threat.

All of these issues reflect the realities of a rapidly changing world. It is our job to understand these realities, to warn and inform our national leadership, to sup-

port our armed forces, and to reassess our collection and analysis based on their changing needs.

But the time has come to make a point:

United States' intelligence capabilities are being reduced to a level where, to compare it to last weekend's weather, we are skating on thin ice on a warm day.

We can and will continue to deliver information that is needed by the President, the armed forces, and the Congress, to carry out the business of government, but the Intelligence Community is coming under substantial financial stress. Additional reductions below the President's budget request could bring essential programs within the Intelligence Community to the breaking point. Budget decisions that will be made this year will have great consequences later in the decade.

Our challenges are clearly before us:

We must modernize our satellites.

We must deal with rapid changes in communications by investing in technology development.

We must refocus the collection of intelligence by human sources to ensure we have insight on issues of the future.

We must orchestrate analysis of the data to match the needs of our customers.

And we must do all of this more efficiently—by using more open source material, for example—where we can and with fewer people.

Mr. Chairman, I believe that all of these things can be done, but they can only be done if resources are adequate.

I have watched the fragility of the Intelligence Community grow over the past year, as has our newly confirmed Secretary of Defense. We have, of course, been mindful of the need to cut efforts that were not essential and to refocus other activities. As Deputy Defense Secretary, Bill Perry and I met some 25 times over the past year, spending over 70 hours on joint program reviews of both the national intelligence programs that I oversee and the tactical programs that are under DoD responsibility. We scrubbed each program carefully. Together we have ensured that intelligence has been pared back to the absolute minimum. This year, we cut almost one billion dollars out of planned requests.

These joint reviews are of historic importance—not only because they have never been done before, but also because they are a recognition that the old distinctions between national and tactical intelligence are less relevant in today's technological world. The utility of intelligence to war—its avoidance and its prosecution—has never been more clear.

In FY 1995, spending for intelligence will stay essentially flat when compared to last year. In effect, we are taking a real cut in programs because of inflation. Since 1990, moreover, the total intelligence budget has declined by some 14 percent in real terms. It has declined because we have been able to do away with programs that were largely tied to the Cold War and which were no longer needed. But it has also declined because some past reductions have had the effect of requiring us to eat our seedcorn. Let me give you but one example:

We depended heavily on technical collection programs to support and protect our troops in Desert Storm. But since Desert Storm, we have not begun work to modernize and replace our larger and more important programs. These grow old, just like automobiles. Power and control systems fail, less data is collected, and eventually they no longer work. When your car wears out, Mr. Chairman, you either fix it or buy a new one. It's very difficult to repair some of these types of collectors, so we must build new ones.

We plan to replace the satellites we have in space, for example, with ones that have more advanced technology. These advances—and changing collection needs of our customers—mean that with the right mix of satellites, we can deploy a much smaller satellite constellation than what we had during Desert Storm. This will mean a very substantial reduction in the number of programs. We plan an even greater reduction in the number of satellite ground stations. These are real savings. As in most areas, savings of this sort require new investment up front in order to properly carry out program reductions over time.

This modernization plan is both realistic and affordable. It will lead to substantial savings over the long run and still deliver the capabilities the country needs. But make no mistake. These reductions will expose the country in some ways to greater risk. With a smaller number of satellites, every launch takes on greater importance.

Mr. Chairman, we must proceed and build the capability to deliver imagery intelligence to battlefield commanders. During Desert Storm, our commanders found that they had to wait too long for far too few pictures of battlefield areas. And in the field they had to wait still longer—precious hours during battle—for the pictures to get into their hands because of antiquated procedures for delivering them. These problems constituted General Schwarzkopf's primary criticisms of intelligence support during the Gulf war. These problems must be corrected. We will make substantial progress toward correcting them if the Congress approves the plan we have laid out in this budget.

Mr. Chairman, I can't tell you with precision when or where the next crises will occur five years from now or even one year from now. Casey Stengel once said that forecasting is always difficult, especially about the future. But as the last 30 days have shown, crises are bound to happen. And we must have the capability to deal with them—quickly, flexibly, and reliably.

Let me also say just a word about the challenge we face in the collection of communications intelligence. Here not only are our targets more diverse—we focus less now on the former Soviet states—but the technical nature of the communications information is changing. Data is moving around the world in greater volumes and at faster speeds than ever before. In a world where information is power, where the capability to guide a precision-guided munition to a military target, for example, rests upon understanding the target in great detail—in these and many other areas the United States possesses an enormous advantage. We cannot afford to allow this capability to atrophy.

Substantial new investments must be made to deal with the changing communications environment. As you know, Mr. Chairman, we have prepared a strategic plan to do this. We have reduced reliance on manned overseas sites in favor of mobile and fixed collection systems that can be operated remotely. By the end of the decade, we plan to close many or our large, manned collection sites overseas. In addition, we are establishing within the United States four joint-service Regional SIGINT Operations Centers, each focused on a specific target region and drawing on a wide range of collection sources.

We are also continuing to invest in understanding secret foreign communications and protecting our own, a capability in which the United States leads the world. The skill to accomplish this is cryptology. The reading of others' signals protected by codes, ciphers, and complex electronic countermeasures is known as cryptanalysis. Maintaining our advantage in these areas will depend upon preserving a strong and robust cryptologic capability in the face of unparalleled technical challenge. We can only continue to enjoy the advantage we have today through aggressive research and engineering efforts to keep one step ahead. Supercomputing power will be the key to maintaining our advantage.

If we fail in these endeavors, adversaries will have free rein to buy weapon technologies that could threaten our friends and allies, drug traffickers will operate with impunity, our citizens will be exposed to increased risk abroad, and our armed forces will face unnecessary risk on the battlefield.

The challenges we confront in the collection of human intelligence are equally important. We must continue to collect information on issues that could undermine United States national security or otherwise affect our interests. For our military customers, particularly since the military has been forced to reduce significantly, top quality foreign intelligence saves lives and is an essential factor in whether or not you have the information you need to conduct successful military operations. Our collection goals reflect the needs of the new era. Priority objectives include information on weapons-related proliferation, counternarcotics and economic security issues.

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instituted management procedures that will ensure new investments are made rationally and efficiently. We have taken steps to streamline programs that have been carried both in the national intelligence budget and the tactical intelligence budget. We have done this by consolidating programs into one budget area. Such transfers make good economic sense:

They are one result of a year-long effort to reorient intelligence program management to achieve a closer coupling of national and tactical intelligence.

The transfers ensure that *all* intelligence related resource claims within a single overall budget are fully considered.

And they also ensure that I, jointly with the Deputy Secretary of Defense, review and implement a Common Budget Framework and issue Joint Program Guidance.

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I have appreciated this opportunity to explain the challenges that intelligence faces in the future. I would be pleased to answer any questions you might have.

The CHAIRMAN. Thank you very much.

First of all, I want to compliment you. As a general proposition, I think your statement was responsive to our request. So I think it is one of the better and more complete presentations of where you have gone, where you are going that I have seen in a long time. So I compliment you.

Mr. WOOLSEY. Thank you, Mr. Chairman.

The CHAIRMAN. I want you to prioritize for me the danger spots in the world, as you see them right now, to the United States.

Mr. WOOLSEY. The dangers are of different character and quality, Mr. Chairman. Let me go region by region. I guess I would have to start with a place where the potential of instability and concern is, in my mind, the highest; that is still North Korea. North Korea is a very difficult intelligence problem because of its forward deployment of conventional forces, its work on its nuclear program, its engagement in proliferation of weapons of mass destruction and ballistic missiles. The very closed, isolated nature of the regime presents a special problem.

Throughout the rest of the East Asian and Pacific Basin, I would say that although there are certainly some serious problems, human rights in China, drug growing in Burma, the Khmer Rouge in Cambodia, and so on, the picture in the rest of East Asia and the Pacific, from our perspective, is somewhere between light gray to relatively bright in terms of economic and political evolution in positive directions.

Certainly the former Soviet Union, the future of Russia and of Ukraine and the other states of the former Soviet Union, and the potential problems that could develop there as a result, particularly of the inflation which I mentioned in my statement, have to come very high on a list of concerns.

I would say that as a multinational problem, not tied to any specific country, but heavily focused on, among others, Iran, Iraq, North Korea, Libya, the problems of proliferation of weapons of mass destruction and ballistic missiles to carry them in the international environment and the concomitant problem of the sponsorship of terrorism by several of those same countries presents not a single issue or single problem but a kind of witches' brew. This is extremely troubling. It will be especially troubling if weapons proliferation and terrorism come together in any of several imaginable ways.

I—there are certainly others of very great importance: The scourge of narcotics and international trafficking and the importance of economic prosperity for us in international trade. Intelligence has an important role to play in those.

I think that particularly in the former Soviet Union and in those areas which were once part of the Soviet bloc, including at one time in the distant past, the post-World War II era, the former Yugoslavia, the problems of ethnic and nationalist strife which have grown up in the aftermath of the collapse of the Soviet empire, the Soviet Union itself also, create a very high level of uncertainty that could lead to major problems for the United States, its friends, and allies.

Those are, I think, the top half dozen or so, Mr. Chairman, I think in terms of acuteness, I would stay, with putting North Korea in first place.

In terms of chronic problems, the others are in different ways all of very, very great importance as well.

The CHAIRMAN. Okay. At the beginning of my statement, you probably heard me say something about the rush to judgment on U.S.-Russian relationships; but I would like for you, to the extent that you can, to characterize the stability of the Yeltsin regime right now.

Mr. WOOLSEY. It its very hard for me to say much about that in open session, Mr. Chairman. Let me say that the fact of a new Constitution having been approved and conveying, conferring a sense of legitimacy upon the Russian governmental structure as a whole, as well as the legitimacy which President Yeltsin already had as a result of his election, are bright spots. And the reform minded attitude, particularly of many younger Russians, the degree of privatization that has occurred, about a third or so in the economy is a bright spot.

But, certainly, the substantially effective performance of both the communists and their clones and the fascists such as Mr. Zhirinovsky's party in the last election together with the possibility of hyperinflation if the inflation rate is not turned downward instead of upward. Last month, from December to January, it went up, not down. Those two features together create a substantial degree of uncertainty and concern for all of us.

The CHAIRMAN. This decision by the Russian parliament to pardon the culpable leaders in the coup attempt, would seem to raise ominous consequences for Mr. Yeltsin, wouldn't it?

Mr. WOOLSEY. It certainly adds an element of instability, I would think, Mr. Chairman.

The CHAIRMAN. I have one final question. I know members have many questions in other areas. Last year when you testified, you talked about the importance of maintaining a strong intelligence capability, and you said, before long, you would be presenting a plan in general terms of how we might proceed over the next several years to shape the intelligence community, to economize our resources, and to operate more efficiently.

You asked that you be given the opportunity to come to us with a longer term plan for consolidation and reshaping and refocusing.

I want to know, have you given us that plan? I don't think I have seen it yet. So I am trying to figure out where it is and what you plan on doing.

Mr. WOOLSEY. You haven't seen it under one cover, Mr. Chairman. If I had to estimate by numbers of decisions, I would say it is about 90 percent complete. If I had to estimate by dollar value, I would say it is about 75 percent complete. I think by late spring, early summer, we will on some of the highly classified programs where important decisions still need to be made, will be in a position to tell you that we have pretty well laid everything out before you.

There are—and we can get into this in executive session of course any time the committee wants—I would say there are two or three major funding decisions regarding high technology programs that I would think we would need to give you a recommendation on this spring or early summer before I would be

able to tell you that you have close to 100 percent of what I would regard as a multilayer plan.

The CHAIRMAN. I think it would be helpful for us to put it in one package so you can articulate specifically your vision of where this whole thing is going.

Mr. WOOLSEY. I understand. Part of those recommendations, Mr. Chairman, are—were originally in a review of the National Reconnaissance Office which I did as a private citizen at former DCI Gates' request in the summer of 1992. But some of those—those were only recommendations of a panel, not a full decision by the government.

As you know, two or three of those decisions, particularly, we are still awaiting full assessment and analysis of data on; but I think we are looking at late spring, early summer as a target date for pretty much having the rest of this all together for you.

The CHAIRMAN. Thank you.

Mr. Combest.

Mr. COMBEST. Mr. Director, earlier this week, you testified, as well as others, in another open hearing about the idea of the public disclosure of the aggregate amount of the intelligence community budget. One of our colleagues in that hearing, after you had testified, one who supports the concept of releasing the aggregate total as well as reducing the amount of the intelligence budget, mentioned some areas that we were in agreement on that needed to be surveilled, terrorism and others. He also mentioned a couple of areas specifically that he did not feel were necessary. Consequently, the fact that the intelligence community was gathering information in those areas, and you referenced that in your statement, meant that we could have a reduction in their expenditure level because those were areas you didn't need to be involved in.

I don't know where that colleague would have, for example, classified the flooding in the St. Louis area during the floods last year. I don't know if there was information gathered on the California earthquakes. I don't know how he might have viewed that. Because we didn't get into that.

The areas specifically that were mentioned that he was in opposition to and felt were inappropriate and should not be funded were economic intelligence and environmental intelligence.

He went on to say that he felt that it was probably, or implied that it was, in the interests of the intelligence community to sell this idea that other agencies could be helped through capabilities which you had in order to maintain your existence and the reason for your existence.

I responded to that with some of my concerns; but what I would like to hear, without you actually having heard the statement, is how do you justify the collection of intelligence on economies and on the environment?

Mr. WOOLSEY. Let me say, with respect to flooding and earthquakes that I mentioned and environmental matters, Congressman Combest, none of those three really involve any substantial extra effort or funding for the intelligence community, and they do not really contribute at all to the way we design or size our systems.

If I could offer an analogy, it is a bit like having military forces stationed in the United States designed for war; but if you have an

earthquake or hurricane, you often find if you want medical facilities and soup kitchens and tents and so forth, you can get them faster and more effectively from the military than from anyplace else.

Something similar is the case with respect to flooding, earthquakes, environmental matters. I might add, the Vice President, dating from his days in the Senate, has been particularly enthusiastic, and I think quite appropriately so, about what the intelligence community can do to contribute to our understanding of the world environmentally.

Basically, all we were doing here is either taking old satellite imagery that was collected and stored but has not yet been declassified or in the case of the future, using satellites that are designed for entirely separate purposes but using them when they fly over rain forests to provide a record of how, what is happening to rain forests.

So neither—none of those subjects involve any substantial funding; and I think they are useful things that the intelligence community can do for the country and for those in other government agencies without a great deal of added effort at all.

Economic intelligence is a bit different because we do design and, to some extent, task and analyze those issues separately. We have an office in the CIA, for example, that focuses on economic intelligence issues. There are a number of ways in which this is very important to the country.

First of all, the rest of the government is very interested in our views about what is happening to wheat crops, oil reserves, trends in particularly dual-use technology in advanced countries, technology that might be used for both weapons purposes when exported as well as for civilian purposes.

All of those things, whoever the Member was who suggested this, I think if he would talk to the National Economic Council, Mr. Rubin, the Secretary of the Treasury, the Secretary of Energy, Secretary of Agriculture, he would find they value what we produce in those areas very highly. We follow economic intelligence with respect to the economies of Iran, Iraq, Serbia, Libya very closely in order to help the government make decisions about the effectiveness of sanctions.

Sanctions are essentially economic pressure. You need to understand how the economies of those countries work in order to understand whether you are going to be able to get a job of statecraft done by use of economic pressure rather than by—Haiti is the same way—rather than by some other tool of State craft.

We usually—what is controversial about this issue is not those subjects that I have indicated, but it is the—called industrial espionage. There has been a lot of—there have been a lot of trees killed over the course of the last year for a few people to say yes and a lot more people to say no with respect to the United States being engaged in industrial espionage.

I said publicly on a number of occasions now, there has been a very thorough review by the National Security Council of economic intelligence issues generally. The CIA is not going to be engaged in industrial espionage. We are not going to go steal some foreign car makers' plans for the next year and give it to the Big Three.

That way lies a host of legal problems, foreign policy problems, and messes of all sorts.

What we do engage in, and very intentionally, is finding out when foreign companies and foreign countries are trying to bribe their way to contracts that American companies could and do win when there is a level playing field.

The fact that we do that not only am I proud of, but I think it is extraordinarily cost-effective for the United States. We do not devote a great many resources to this by dollar volume, and we save billions of dollars a year in contracts for American companies by being able to go to the National Security Council, the Secretary of State and giving them the wherewithal to deliver a demarche to the president of whatever country, the king, and make it possible for the American ambassador to go in and say, your telecommunications minister is on the take and he is about to award or he has just decided to award this contract to a non-American company based on bribery. The United States does not take that in a friendly fashion.

A very substantial share of the time when that is done, there is a pause and the contract is either split or reawarded or reanalyzed and the American corporation will get at least some share, sometimes all, of what it deserved based upon a level playing field. Our companies play on a level playing field. It is generally the tradition in American business and certainly the law under the Federal Corrupt Practices Act.

Other countries in the world do not have Federal Corrupt Practices Acts. I think we do a good job by helping American companies indirectly that way. They do not know we are helping them. We don't tell them that. It is the U.S. Government that does the job.

I strongly disagree with any proposition that is asserted that that is not a useful and effective use of the intelligence community.

Mr. COMBEST. I concur. I wanted to just give you an opportunity to get that on the record. You can certainly talk about that in much greater detail and more helpfully than we can, even though, obviously, we are aware of it. One of the further implications I derived from our conversation, when I made the observation that these things were beneficial to us, is that we might as well use the technology that is there. We wouldn't have it there just to get environmental intelligence, but if we have it, let's use it well. My colleague agreed, probably, use of the technology was at no more cost, but it took a lot of analysts to do this; and, therefore, you had more personnel than you needed.

I reminded him of the 17.5 reduction that was mandated on the intelligence community and that it would be much better for us to let you decide how that is best done rather than micromanaging that.

You are, in fact—and I appreciate you pointing it out in your testimony—leading virtually all other agencies of government in your personnel reductions. I would doubt that you have a lot of analysts around that are not needed in other capacities.

Mr. WOOLSEY. They are working very long hours, Congressman Combest.

The CHAIRMAN. Before recognizing Mr. Torricelli, which I will right now, I wanted to indicate there are a large number of questions for the record which we need answered in connection with our budget review. There are a couple of areas I particularly have an interest in, which are counternarcotics, making sure after the Venezuelan problem that took place, you have your act together internally as well as the whole counterintelligence thing which is the subject of the Ames case.

Mr. WOOLSEY. I trust, Mr. Chairman, if we answer these for the record, we can answer them in a classified form?

The CHAIRMAN. That's correct. Mr. Torricelli.

Mr. TORRICELLI. Thank you, Mr. Chairman.

Like most people in Washington, I may be interested in many subjects, but there is one principally on my mind today. I didn't have the opportunity of the Chairman or Ranking Member to make a statement when the hearing began. I want to share some thoughts with you now.

I recognize in the midst of an investigation and a possible prosecution that there is much that you cannot say. That does not mean being from different branches of government with some similar responsibilities there are not things that should be said to each other at this point, thoughts that should not be shared.

Like most Americans, I have had the illusion that there were procedures and there were safeguards to ensure that the temptation and the corruption of the American intelligence community could be avoided. No doubt, and indeed we know to be the case, there are safeguards. But even in light of some impressive investigative work by the FBI, at this stage, it must surely be concluded that the amount of damage that was done, the amount of time that passed cannot leave us feeling comfortable about the internal security of the Central Intelligence Agency.

We have just received a very cold shower about the new world order. It leaves me less surprised about the actions of the Russian government than it does about the failure of these efforts at internal security in the Central Intelligence Agency. Simply because the Cold War was over does not mean that competing interests in the desire for information by the governments of former adversaries or even current friends has ended.

There is little that happened here that one could not have assumed the Russians, given the opportunity or indeed a host of other Nations, would not have pursued. The principal surprise, in my mind, remains not that it was attempted or perhaps even sadly that it succeeded but that indeed so much damage over so much time was able to be done before it was discovered.

Beyond the question of the prosecution which now lies with the Justice Department and the investigation of this case which remains in the FBI, it appears to me, Mr. Woolsey, there is another burden that remains on your shoulders even now. That is there is, of course, no reason to assume that the procedures which failed to apprehend Mr. Ames have worked well in all other instances or that a Russian government or other governments which sought to compromise the operations of the CIA have not attempted or even succeeded in doing so in other instances.

The need I would think, therefore, for some assurance to those who even now are in other nation security systems but cooperating with the United States Government to signal to them that their in-

terests are safeguarded, to assure the American people that their intelligence community is being closely watched is overwhelming.

I don't know that this is best accomplished by the public announcement of an internal review of all cases, polygraphs, internal financial audits of personnel; a review or replacement of important officials with responsibilities for internal security.

I defer to your judgment both as someone who admires you and the Agency; but I am sure of this: What needs to occur in this instance is more than the prosecution of an individual. There is the rebuilding of the credibility of the CIA in the eyes of those it works with abroad and the American people.

There is the need for a systematic rebuilding of these matters of internal security.

The CHAIRMAN. Mr. Torricelli, I would like to be here when Mr. Woolsey answers. I want to go vote now.

Mr. TORRICELLI. I will conclude in one minute.

The CHAIRMAN. I think you ought to have a chance to think before you talk; not that you wouldn't.

Mr. TORRICELLI. I will conclude, Mr. Woolsey. I will conclude on simply two points. First, as the Chairman suggested earlier, if the focus of the debate in the ensuing weeks is on aid to Russia rather than the failures of internal security, then we—you are not doing the problem justice, not serving our own interests.

The United States has never given aid to Russia because it was in Russia's interest. We give aid to Russia because it is in our interests, the promotion of democracy, the deceleration of Russian military capabilities. The focus must be returned to efforts here and our failures and not theirs. It is my hope in this brief analysis to contribute to that process.

Finally, I want to say that while this may be in the hands of the Justice Department, I think as the person primarily responsible for American intelligence you do have another role to play in this individual case. That is the instincts of the Justice Department may be to get a conviction at all costs in this instance.

That may lead them to seek plea bargaining for the speed of conviction. That does not serve the interests of the intelligence community in my judgment. I hope you will enter into that debate publicly or privately. Plea bargaining at all costs should not be accepted. The message must go out from this case that even in a time when the Cold War having lapsed, these matters could not be more serious; that spouses that communicate, children that communicate, anyone who cooperates will be held fully and totally accountable; and their willingness to talk about a spouse or a parent or a friend will buy them nothing.

If it takes five times as long to make this case without cooperation, 10 times the resources, it should be done.

That is what is different I think about how you will approach this case from how the Justice Department will approach this case. I hope, sir, you add your voice to ensure that the larger intelligence interests of the United States are not deferred as the case is pursued. With that, I get the hint from the chairman he would like to adjourn. I will do so and be back promptly.

[Recess.]

Mr. SKAGGS [presiding]. I am going to take the liberty of reconvening. I notice you are in the middle of Mr. Torricelli's questioning. I figure we all have other things to do this afternoon. We can get rid of you early.

One of the things that caught my ear as you were testifying was, on the one hand, your comment about skating on thin ice in warm weather and, on the other, your understandable pride in pointing out that you are taking the initiative along with your colleagues in the Pentagon to move beyond 17.5 percent to 22.5 percent in personnel reductions. There might appear to be some surface inconsistencies in the figure of speech, on the one hand, and statistics on the other.

Mr. WOOLSEY. Let me explain why I don't think there is, Congressman Skaggs. The—like other government agencies, the intelligence community, the agencies in the intelligence community, found that the cost per person has gone up substantially in recent years and this has been almost, not all, attributed to mandated payraises, locality pay, and associated benefits costs. It is in the eighties we spent 10 percent of our personnel costs on benefits and today it is 20 percent. This will not come as any surprise to members of this committee, or the public as a whole: a very large share of that is retirement benefit costs as well as medical.

So the cost per person has been going up substantially to the point that it makes even the substantial personnel reductions of 17.5 percent something that leaves us with a rather large share of the intelligence budget going for personnel; and we considered this very carefully, John Deutch and I did, particularly during the budget preparations in consultation with members of the intelligence community and the Department of Defense last year.

And decided that the—in light of the opportunities which we have over the rest of the decade and into the next century, to utilize expert systems, artificial intelligence, to utilize computers, to replace some of the more routine work that individuals are sometimes called upon to do. We felt that as long as we were reducing personnel on this steady scale of around three percent per year and not trying to take any deep or sudden reductions, that would leave us with the opportunity to do a very small ability of hiring—not nearly as much hiring as we need to be able to do over the long run—to bring in adequate numbers of people with special skills and technical backgrounds, but at least some moderate to modest amount of hiring.

And with the incentives which the committee and the Congress gave us for financial incentives to early release, we would then be able to manage the overall aggregate numbers of people in the intelligence community in a sound fashion to continue the decline down to 22.5 percent over the decade rather than the 17.5 percent, rather than the 12 percent that is the goal of the National Performance Review.

As we are doing that, we are and we have to do, I think, in the last years of the decade more to use our technical programs to do things such as the following: to make it possible, for example, for machines, for computers to scan imagery in such a way as to make it possible for an imagery analyst to only do those very difficult and sensitive and complex operations which the human eye and the

human mind are required for. But to let machines do what machines can do and have fewer human beings sitting at light tables, but nonetheless those human beings who are engaged as imagery analysts being the very best, working on the things that only human beings can work on and letting the computers do the rest.

In order to manage that continual drawdown in personnel and the funding necessary for such things as technical programs, expert systems, artificial intelligence, computerization, and the rest requires a rather delicate balance of and some flexibility in being able to fund the technical innovations at the same time that you are being faced with the personnel drawdowns.

I think the balance, if we could pull this all off, would really be better toward the end of the decade. And toward the end of the decade, at this rate of decline, the intelligence community in size will be back in the same range of where it was 20 years or so ago.

Mr. SKAGGS. This basically reflects a considered shift in relative allocation of resources away from personnel to some other things that will make for a better capability in the long haul?

Mr. WOOLSEY. Let me be sure I say this—this point is very important. It does not mark a shift in thinking that the use of humans in intelligence collection is less important and we are going to substitute satellites for people or anything like that. That is not what it is. This is principally a decision that relates to areas of relatively routine human operations in the overhead structure and in the business of the analysis to some extent and the production and dissemination of intelligence.

Mr. SKAGGS. I think your presence here again in open session is further evidence of your efforts to make this whole business a little bit more understandable to the American people. One of the areas you mentioned in your testimony that I hope is headed in the same direction is the Commission on Security Reform; and I wanted to engage you briefly on that point which, as you know, I am interested in.

In the Committee's legislation for this fiscal year, and the report accompanying our bill, the agency is charged with getting back to us, I think, by the end of March with your considered judgment at that point about how much the current classification and security apparatus is costing us and how much you think we might be able to squeeze out of that by way of savings without putting anything at real risk.

I don't know whether it is premature to ask you whether you have any rough notion of where that end-of-March statement to us may come down?

Mr. WOOLSEY. Well, two things, Congressman Skaggs: First of all, we want to review very thoroughly and carefully here around the beginning of March the report of the Security Commission which has been seized of this problem now for nearly a year. I am told that the early quantification of savings and costs from various security measures has proven to be a very difficult job for them; and I am sure it will be for us as well.

There is anecdotal data. There are statements from individual program managers of highly classified programs and industry who believe their program is X percentage more expensive than it other-

wise would be because of some of the conflicting, sometimes, security requirements.

You can look and find certain individuals in the intelligence community and the Defense Department who work on classification and who do background investigations and so forth; but that all is a mixture of anecdote and what you might call kind of the tip of the iceberg with respect to security costs.

We will give you something by the end of March, but my strong hunch is that any kind of precise quantification of security costs and what one can save by changing some of our security systems is going to take considerably longer than that.

The work between the executive branch and the commission which will stay in existence until summer on just working out the implementation of their recommendations is going to take some months.

This is an area that requires a lot of give and take, consideration of issues that you haven't thought of before when you think through it the first time. It is going to take us a while to be very quantifiable on this. We are going to be working on it very hard.

Mr. SKAGGS. I will try to make an honest man out of myself and yield back as I promised I would do when Mr. Torricelli and the Chairman got back.

The CHAIRMAN [presiding]. Okay. We are back to Mr. Torricelli's time.

Mr. WOOLSEY. First of all, let me say, Congressman Torricelli, the great concern you expressed in substance and tone is one with which I would certainly identify myself.

I think that this is a very serious problem and it is one that we take seriously and it is one that, frankly, I fully admit and agree. In terms of policy decisions about what to change and how to do it in the intelligence community, I have the central role. And you didn't say it this way, but let me say it this way: with respect to security, in the CIA, in the intelligence community as a whole, the buck stops with me.

It is my responsibility to ensure that the lessons of this case, as well as the lessons of other work that we have had ongoing, such as that in the Security Commission, such as the draft legislation dating back from the late eighties and early nineties, many parts of which have not been passed, all of those efforts I think we can draw on and learn from. I do not intend in any way to step aside in my policy responsibilities and management responsibilities there.

Having said that, the prosecution of the case itself, of course, is in the hands of the Department of Justice and the prosecutor involved.

I think I would only make one other point: That is I think we should distinguish between security and counterintelligence here. Clearly security in the intelligence world has a very, very difficult job. It is a bit like playing goalie on a hockey team in which you can never let a single shot get past you.

But having said that, it is quite clear that in this case, one very important shot did get past the goalie; and it is an issue which raises, I think, to the forefront of all of our minds, the way in which security is managed, I would say not only for the CIA and

not only for the intelligence community, but for the government as a whole. This is why the commission's report is very important.

There have been other important espionage cases, including within the last year or two. Virtually all of the federal agencies engaged in classified work have been affected.

And over the last number of years, there are important changes that need to be made in the way security policy is made and the way in which the security is implemented, giving due credit to the hard work of the people who have been doing their best working within the system as it is today.

Counterintelligence is different. Counterintelligence is the attempt to find out what happened and prevent what happened, something that happened, sort of if there is a security failure. And I want to reiterate again what the prosecutor, the Attorney General, and the Director of the FBI said publicly, which is also my judgment: That the individuals in both the FBI and the CIA who do the counterintelligence work and the counterintelligence investigation in this case deserve high praise and great credit from the country.

Mr. TORRICELLI. Of course, Mr. Woolsey, I am not questioning the skill with which the FBI or counterintelligence of the CIA approached the case in its final stages. It was an example of good investigative work.

The concern is the number of years that passed, the damage that was done, potentially the lives that were lost before a system began to operate.

Mr. WOOLSEY. Right.

Mr. TORRICELLI. In reviewing the case this morning which I understand we cannot do in this open session, let me leave you a single impression that I hope you will think about in the days that follow.

It is not simply that Mr. Ames evaded the procedures of the CIA, was able to compromise America's security interests. He proceeded with such contempt for the operations of the CIA in the relatively open operations he conducted, with so little apparent attempt to disguise some of his operations, that leads me simply to have a concern that in the culture of the intelligence community he may not have been alone in recognizing the system may not have been operating. That discovery is that certain procedures were not working.

I only leave that thought with you in the hope that as this investigation proceeds, we find a single misguided individual who has done great damage to our country, not a system that failed, a culture that might have let others do the same. My only hope is that if that is the case, we face it honestly, quickly, and deal with it. There obviously are careers, issues, and people's reputations. No one wants to see them damaged. But they are in every measure less important than the possibility that there is an ongoing compromise of a national interest.

I know you have that same concern. I only want to leave the thought with you so that if in any way you think it may be correct, we deal with it promptly.

Otherwise, thank you for responding to my thoughts, and, Mr. Chairman, for your patience.

Mr. WOOLSEY. I would only add one point, Congressman Torricelli, which is that your point is very well made.

I definitely take it.

Having said that, I would want to say one thing. Even in the face of this terrible, very serious spy scandal, in the society we live in, there is an inevitable tension between the needs of intelligence and of counterintelligence, the needs of secrecy and the open and free nature of American society and the protection of individual liberties.

It is important that we keep both of those imperatives in mind. What we will do in the future in order to solve the security problems of the intelligence community and the U.S. Government as a whole are very important and it is important that they be done well, that they be done thoroughly and that they be done effectively. It is also important that we undertake those steps with an eye—and I know you didn't mean to imply anything different than this—with an eye toward the traditional guarantees for individual rights, for individuals being innocent until proven guilty, and for—I may say—to some extent the imperatives of openness which have to guide our actions in a democratic society.

We talked about this tension two days ago, Mr. Chairman. I think you remarked it was somewhat ironic, holding a hearing on an open intelligence budget the day when a major spy scandal broke. We had questions back and forth about the importance of maintaining the secrecy of a budget number and so on.

These are—I said this in that hearing and I want to say it here again: these types of issues are not easy. They are—this tension between openness and a free society and the needs of secrecy and intelligence are important and difficult matters needs to be debated in the same spirit they have been presented here, I think, and with fair-mindedness, a sense of respect for the fact that we do have an inherent conflict of some substantial dimension that was apparent as far back as the Constitutional Convention and the ratification debate in Virginia.

The CHAIRMAN. I hate to cut you off but we have only about five-and-a-half minutes left for a vote. I will be right back.

Mr. TORRICELLI. Mr. Woolsey, I am not going to be able to come back. As they rush, I will rush faster to catch up to them.

This thought occurs to me. There is an inverse relationship between perhaps the need for internal security and the degree of international tension. That is, during the worst of the Cold War, the differentiation between treason and simple corruption was clear. My concern is that with international tensions being eased, the ability of some to rationalize their behavior, that it does not compromise great national interests because there is not great international danger.

Similarly, the intelligence community, our guards can be lowered because tensions are also not as great. Indeed, I am suggesting it is just the opposite. Other nations are attempting to compromise our intelligence agencies with the same fervor for a variety of reasons; and our guard should be higher, not lower, because the natural impediments to our own personnel compromising themselves may also not be as great.

Undoubtedly, this is something that has occurred to you.

Mr. WOOLSEY. It is a very thoughtful and well-taken point. I could not agree with you more, Congressman.

Mr. TORRICELLI [presiding]. Thank you for your responses.

Mr. WOOLSEY. Thank you.

[Recess.]

The CHAIRMAN [presiding]. I think we only have—Ms. Pelosi is the last person to ask questions other than I may have a couple of closing ones. I would like to make clear for the record we want to work with you on the legislative items dealing with the security issue.

You mentioned the package that was offered by——

Mr. WOOLSEY. Senator Boren and Senator Cohen.

The CHAIRMAN. The Jacobs Commission. A couple of those items have made it into law: after-care provisions for NSA and DIA employees. Currently, the Banking Committee is working on the consumer credit issue.

Mr. WOOLSEY. That is an important one.

The CHAIRMAN. We are also going to take a look maybe at the financial disclosure issue to perhaps beef up the Ethics in Government Act requirements for certain employees. We will talk about this.

Mr. WOOLSEY. We look forward to working with you on it, Mr. Chairman.

The CHAIRMAN. There are several legislative things that could probably augment your current authority.

Mr. WOOLSEY. That would be excellent.

The CHAIRMAN. Ms. Pelosi?

Ms. PELOSI. Thank you, Mr. Chairman.

Mr. Director, welcome again.

Mr. WOOLSEY. Thank you.

Ms. PELOSI. Thank you for your testimony. On our way over from the vote, my Chairman told me all the important questions would be submitted for the record so that they may be answered in a classified manner. I should be using that avenue to ask my questions. I will heed his admonition, I know the hour is late.

I do want to commend him, though. I think today is quite remarkable that we are having, once again as you indicated in your remarks, another open hearing; the second within a week, the third within a short period of time. I think that openness—and that is the nature of the questions I would have been asking. I know they are included in the Chairman's questions. I hope we are moving more in that direction.

Also, I am encouraged by the review of your remarks at a previous hearing where you say there is no real justification for the intelligence community doing things that can be efficiently and effectively done by the rest of government. I think that sounds like a very good idea from a standpoint of security and from a standpoint of fiscal matters as well as in terms of savings.

I do also want to associate myself with one of the comments Mr. Torricelli made which is that I hope this case that we are all confronted with now will not be used by those who oppose aid to Russia to put a moratorium on it, because we did do it in our interests and it is in our interests to encourage reform there. I hope we can keep some of these issues separate.

With that, Mr. Chairman, I will yield back the balance of my time and once again, I thank the Director and wish him much luck in the weeks ahead.

Mr. WOOLSEY. Thank you, Congresswoman.

The CHAIRMAN. Let me just say again there are a number of questions that we are going to need to be answered. They will be done mostly in a classified manner in order for us to do our budget process.

You talked about a lot of the things that have to do with acquisition of systems. So we would like you to get that to us and then this plan, I think, is important.

I did mention one issue in the earlier discussion having to do with counternarcotics. That is another issue that the Agency has put fairly high priority on. I think there have been some successes, but there have been a couple of problem areas. The most recent one was the one we discussed, the one that has been in the national media involving the Venezuelan counternarcotics center which raised the question about the operations of your counternarcotics units and the anti-drug picture.

I don't know if you have any comments on that. It is something that in my mind you can do a good job on, but it requires an exquisite and precise focusing of your efforts and resources. Generally you are dealing with, shall I put it, pretty scummy people in the narcotics area. You get yourself into a whole range of trouble, which is what happened in the Venezuelan thing.

Mr. WOOLSEY. Scummy people with a lot of money, Mr. Chairman.

Ms. PELOSI. Those two things are not uncommon.

The CHAIRMAN. That is right. I assume this remains somewhat of a priority of the Agency, the counternarcotics thing?

Mr. WOOLSEY. Yes. It does, Mr. Chairman. We do think we have important contributions to make on the overseas intelligence side of the work, the law enforcement work by the FBI and the DEA. In many, most, I would say nearly all countries, this partnership works quite well.

I would say it works best when we have an experienced ambassador in country who under the instructions of the President is responsible for pulling his country team together, including the CIA station chief, DEA, any legal attache, the FBI and so on, military, would have to work together in these very intricate efforts to get at drug lords, kingpins and trafficking networks.

I am generally quite positive about the degree of cooperation and the way it is coming to work out under the approaches that have recently been taken to going after drug kingpins and money laundering networks and the like; but occasionally, as you mentioned, something does go wrong.

I would say in that—I have said this before, but I would like to reiterate, if I might, in the Venezuelan case which has received a substantial amount of publicity, there was a joint CIA, DEA Inspector General undertaking that uncovered that there was, on behalf of some employees of both organizations, some mismanagement and mistakes, but there was no criminal activity or criminal offenses. And the allegation which has been made publicly that the CIA officers back then several years ago in Venezuela were actively

involved in smuggling drugs into the United States for—to be turned loose on the American market is just flat untrue.

The CHAIRMAN. A couple quick things.

You have been in this job a year. How would you characterize yourself in the intelligence community? Do you think you are the chief bottle washer? Chief executive officer? Chief operating officer?

You know you have functions in the NSA, the Defense Department, and you know one of the things that my predecessor, Mr. McCurdy, and Senator Boren, tried to do was a major reorganization so truly the Director of Central Intelligence would be the CEO of intelligence.

Do you think you are closer to that than you were before?

Mr. WOOLSEY. I am pretty sure I am chief testifier, Mr. Chairman. I characterize this job as being the Chairman of the Board of the intelligence community and, frankly, I think I am a relatively active board chairman with respect to the community as a whole, and CEO of—chief executive officer of the CIA at the same time.

I spend a lot of time on both efforts. I spend time on behalf of the community in general and the agency in particular, with the Congress and with the public, and in resource management. Many of the resource management issues are matters that we work together with the Defense Department for the reasons I described, and because such a high share, particularly of the expensive programs, relate to both defense and other intelligence consumers.

I spend a good deal of time working with other intelligence services in other countries on intelligence liaison matters because those relationships are very important to us and we have many things that we do together with a range of other countries. And it is a full menu.

I think I would say that the job is a fascinating and gratifying one, even when terrible things happen, such as counterintelligence cases of this sort.

The CHAIRMAN. Would you recommend any fundamental structural reorganizational changes?

Mr. WOOLSEY. I really wouldn't, Mr. Chairman. I think that the proposals that were made by both this committee and the Senate select committee several years ago were focused very heavily on the idea of separating analysts and operations officers so that if, for example, the United States were managing a covert action, such as supplying the Contras in Nicaragua, we would make sure that the—by that split in the organization, that the analysis of what was going on in Nicaragua was not corrupted by the fact that the same organization was engaged in both covert action and analysis.

And many of the proposals that came from both the Senate select committee and House permanent select committee several years ago I think were oriented toward trying to make that split, and I believe that is how they ended up with a director of national intelligence separate from the director of central intelligence and the rest.

I don't think that is really the problem now. Whether that was a solution to the problem of the late 1980s, people can debate, but the problem now is that I think one wants, when working on these areas which involve both technology, for example, and other areas,

other issues, such as proliferation of weapons of mass destruction, one wants the case officer who is trying to recruit assets to learn about that and the analyst who understands the technology of biological warfare or chemical warfare to be working right together side by side.

Indeed, I am in the process of moving the directorate of intelligence and directorate of operations offices that deal with the same regions and the same problems onto the same corridors, right across the hall from one another in the CIA so that they can cooperate more closely.

I think what we really—in this modern era that we are in now, I think we want closer cooperation between the analysts and the individuals involved in intelligence collection.

So I don't see the value of spending a lot of time and effort now on moving organization boxes around. I think we have some very substantive problems to solve, including some of the ones that you have referred to here today, and we are ready to, and willing and eager, indeed, to work with you to do that.

The CHAIRMAN. I must say, I agree with your response. I think all the effort goes into making procedural changes that may or may not make any substantive difference but on which you expend all your energies and make people upset the most.

The dirtiest word in the English language is a four letter word, T–U–R–F. Nothing else even comes close to it. That is what happens when you do this kind of stuff.

I thank you for testifying.

Let me close by saying that I know that you heard the comments of myself, Mr. Torricelli and others. We fully recognize that you have been on this job one year and nobody is holding—even though the buck stops there, a lot of the grief that we are talking about now are things that occurred many, many years ago. I do think you have a special, not only responsibility, but capability of bringing the perspective of the modern world, keeping the good things in the intelligence culture, but maybe changing some of those things that don't need to be done anymore in terms of ways of thinking that cause people to do things that aren't necessarily consistent with the way the world actually acts. You are in that unique role, and whether you like it or not, you are there, and so we are working with you.

We expect you to be in that role, but we are working with you as we work to make our intelligence community even stronger than it is now.

Mr. WOOLSEY. Thank you, Mr. Chairman. I very much appreciate that.

The CHAIRMAN. Okay. The hearing is adjourned.

[Whereupon, at 4:15 p.m., the committee was adjourned.]

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