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Subject: PRM/NSC-11

May 31, 1977

The attached report has been prepared by a special interagency drafting team for SCC consideration in response to the requirements of Section 3 of PRM/NSC-11. It is intended to provide a reasonable starting point for SCC deliberations that will result in recommendations to the President on the future mission and structure of the Intelligence Community. It should be read in conjunction with the separate reports prepared by the DCI and Attorney General PRM/NSC-11 Subcommittees.

The first SCC meeting on PRM/NSC-11 is scheduled for 8 June at 10:00 a.m. in the White House Situation Room. The agenda for this meeting will be:

a. How to structure the PRM/NSC-11 decisionmaking process

b. Strategy for dealing with Congress

c. Views on structural options

d. Views (time permitting) on "other solutions."

cc: Mr. Lipshutz

Mr. Eizenstat

Zbigniew Brzezinski

This report was prepared for release on 3 June 1977.

 Classified by: Z. Brzezinski

UNCLASSIFIED
REPORT

on

PRESIDENTIAL REVIEW MEMORANDUM/NSC-11

INTELLIGENCE STRUCTURE and MISSION
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Annex A: Recommendation on Foreign Counterintelligence A-1
This report is submitted to the NSC Special Coordination Committee for its consideration in fulfillment of the responsibilities assigned to it by the President in PRM/NSC-11. The report draws on material prepared in support of both the DCI and Attorney General PRM/NSC-11 SCC subcommittee deliberations and reflects extensive written departmental inputs and deliberations within a special senior level Working Group.

The report consists of four principal parts related to each other in the following manner:

-- Section I, Objectives and Principles for US Foreign Intelligence, provides the essential broad criteria against which any improvement options, especially organizational, ought to be judged. They are what the President should expect from intelligence and are in effect a broad set of guiding principles.

-- Section II, Problem Areas, then defines and analyzes the basic problem areas within the Intelligence Community in the present organizational, leadership and political environment. It is based on a comprehensive review of US foreign intelligence activities but is not itself a definitive critique. Its purpose rather is to provide enough background on the present performance of the community to comprehend the implications of possible organizational and other changes in terms of their impact on major difficulties encountered by the present system.

-- Section III, Structural Options, begins with a concise description of the present structure, then identifies a representative range of organizational options. It is not intended to be theoretically comprehensive but rather to portray real-world possibilities responsive to the guiding principles and problems previously identified in Sections I and II of this report.

-- Section IV, Other Solutions, recognizes that while organizational changes may resolve some of the problems associated with the management and operation of the Intelligence Community, there are other problems that will be virtually unaffected by structural change. It identifies certain perennial problems that will require sustained and creative attention by Intelligence managers and on which the President should be kept informed.
I. Objectives and Principles for US Foreign Intelligence

A. Objectives

American foreign intelligence is a complex and costly information service operated by the Executive Branch of the United States Government to support its conduct of foreign policy and national security affairs. Government intelligence is distinguished from other public and private information services by:

-- Concentration on the information needs of official decisionmakers;

-- Systematic collection, by human and technical means, of information that other governments try to keep secret;

-- Evaluation of all information, including that from public sources, available to the Government;

-- Dissemination of resulting data and judgments to those who need them;

-- Disciplined efforts to keep secret that information about its operations and results, the disclosure of which would undermine intelligence effectiveness and national security.

US intelligence is unique in the world for its state of the art, the scope of its activities and the extraordinary range and variety of organizations and activities that constitute its consumership.

The President is the most senior consumer of US intelligence. While he receives and uses intelligence directly, more importantly, he is the chief executive of a large hierarchy of intelligence-using organizations.

US intelligence must serve all elements of the US foreign policy and national security establishment in the Executive Branch, mainly the Office of the President, the Departments of State, Defense, Treasury, and the Arms Control and Disarmament Agency. To a lesser degree, it also serves other elements of government with foreign affairs concerns.

Intelligence is also provided to entities outside the Executive Branch. Congress has long been and is increasingly important as a consumer of intelligence. The US public indirectly derives much of its information, especially on closed societies, from intelligence. Officially cleared contractor organizations supporting foreign and defense policy efforts draw on intelligence. Through various permanent or temporary arrangements, friendly governments also receive many US intelligence products.
The Intelligence Community itself consumes intelligence, stores it for the future, or exploits it to guide operational or developmental decisions.

Within the core of the US national security establishment in the executive departments, consumers of intelligence exist at all levels. They include:

-- The President, the National Security Council, Cabinet, and sub-Cabinet officials.

-- Departmental planners of foreign economic, arms control force structure, strategic, and R&D policy.

-- Operational planners of political, economic, and military actions.

-- Field planners and executors of policy and operations.

Viewed from the top of the structure, Washington consumers seem to dominate the constituency of US intelligence. But there are many very important consumers outside Washington. Like intelligence assets themselves, military commands and diplomatic missions that depend on intelligence are distributed around the world. Important military consumers of intelligence, for example, some unified and specified commanders, combat commanders, weapon system developers, and training facilities, are also distributed around the US.

The essential mission of US intelligence is to deliver high quality information and judgments on foreign developments of enormous variety to this multiplicity of consumers, from the President down to military and civilian officials engaged in tactical decisionmaking and planning. Achieving each of the hallmarks of quality presents US intelligence today with serious challenges.

-- Intelligence information be accurate. Beyond sorting out the pervasive background noise of world affairs that confronts any observer, this means intelligence must penetrate the secrecy barriers erected by skillful opponents. It also means that intelligence data available to the total system must be stored, retrievable, and disseminated in a reliable and timely manner.

-- Intelligence must cover needs that are very extensive. As a global power, US interests and, hence, information needs lack readily defined limits. Some argue, however, that presenting US intelligence needs as inherently without limits leads to excessively costly effort, in terms of resources and political risk. Those of this view have difficulty defining what the limits should be but insist they nevertheless exist. Others take the view that US intelligence needs should
be expected to shrink as US commitments and involvement around the world are reduced; for example, in Southeast Asia. But the contrary effect impresses itself on intelligence managers: as US unilateral power to shape world events is reduced relative to that of others, US policy choices become more difficult and, hence, needs for information to refine its interests, commitments, and forces appear to expand. This presents US intelligence managers with thinly spread resources and the requirement to focus their resources more skillfully. Whether or not US relative power is shrinking, the US will continue to pursue a foreign policy of global dimensions. This will demand an intelligence effort of substantively global scope. Nevertheless, the priorities among regions and topics, as well as the means of collecting and exploiting information, will have to be refined with new rigor.

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US intelligence must be responsive in two senses. It must be relevant to the real needs of US decisionmakers. It may need to tell them things they need to hear even if they do not think them relevant. It must not only be about the problems that concern them; it must help them make decisions. It must be responsive to needs that the consumer does not yet fully appreciate, not just for today's problems, but more importantly for the future. This requires a close dialogue between intelligence suppliers and consumers that proves in practice very hard to achieve and sustain. It must also be timely, a condition that may be measured in months or years for some problems, or minutes for others, particularly in the case of intelligence support to commanders of military forces.

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US intelligence must be analytically penetrating and sophisticated. In theory, there is an unbroken continuum between "facts" that an agent or sensor can report as intelligence, and weighty policy judgments that political and military leaders must make. Intelligence could be asked to supply "just the facts," and leave to the statesman or general the task of integrating and analyzing the facts as part of the process of policy choice. But US intelligence has long been required to move beyond the raw data it collects to grapple with judgments that are not too distant from policy choice. For example, "What are Soviet strategic objectives?" or "What is the future of Black Africa?" are issues typical of those on the intelligence docket. This requires that intelligence must have high-quality talent and organizational structures for demanding research and analysis to support intelligence production.

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Intelligence judgments must be candid and objective, unbiased by policy preference. It must supply the decisionmaker with information and judgments he ought to hear, including those he may not want to hear. Where large hierarchical organizations
Finally, intelligence must provide for safeguards against abuse in balance with security needs. Many intelligence activities are secretive of necessity and occur at the edge of interstate conflict, where governments have always assumed extraordinary powers. This makes such activities susceptible to abuses more grave than corruption or misuse of authority that any public or private enterprise must protect against. Prevention of such abuses must be of paramount concern in structuring the system to satisfy national security needs.

In addition to supplying effective intelligence service to its many consumers, US intelligence must meet two more essential objectives:

-- Its activities, particularly the most expensive activities of intelligence collection and processing, must be managed in an efficient or generally cost effective manner;

-- Its activities must be demonstrably consistent with US legal and basic political standards.

B. Principles

It is possible to postulate a number of general principles that should govern the management and operations of a US Intelligence Community intended to meet these objectives. Some of these principles relate to the organizational structure of the Community, others to the style of management and oversight.

1. Diversified Service

The Community must be structured and managed so as to provide responsive intelligence support to the wide diversity of consuming organizations at many levels. This means that many consuming organizations must have their own intelligence production entities who know and can respond to their unique needs. In addition, consuming organizations must have means of tasking or influencing the current activities of the Community as a whole, in production and collection. They must also have some means to influence the longer-range programming decisions of intelligence that create capabilities for the future. In principle, then, there must be numerous entry points for statements of need and numerous exit points for delivery of intelligence services; however the Intelligence Community is structured.
2. Pooling Information and Collaborating in Judgment

The post-war intelligence system of the US grew out of the need to assure communication among intelligence elements the lack of which was perceived to have permitted surprise at Pearl Harbor. It is a long accepted principle that US intelligence must be so structured that, within the limits of sound security and reasonable divisions of labor, the entire system must be able to share data and judgment within itself, and, on major issues, to collaborate in disciplined agreement or disagreement. This is a process that can always be improved but which must take place, whatever the Community's structure.

3. An Independent Source of Judgment

Another well established principle of US intelligence management is that there must be at the center of the Community an entity capable of pulling together the data and judgments of other entities, but sufficiently strong and independent to offer intelligence judgments that are, to a maximum extent possible, uncolored by policy preferences, or other institutional considerations that may influence the judgments of departmentally based entities.

Taken together, these three features of intelligence production structure—diversity, pooling and collaborating, and a policy-independent source—afford a system of checks and balances required for effective intelligence performance over the long term on issues necessarily open to debate and differing judgments.

4. Readiness for War

It is increasingly apparent that, while devoted to assist in the maintenance of peace, US intelligence must be capable of supporting the conduct of war with the minimum of disruptive transition. This capability must be appropriate to a range of possible conflict situations from those like Vietnam to a major central conflict with the USSR and it must be regularly exercised by those who will use the capability in crises and war. In the modern world intelligence structures cannot count on a protracted period for adjustment to the needs of conflict support, be they national entities or tactical elements organic to military forces. This is particularly pertinent with regard to unique national intelligence assets with wide coverage, such as reconnaissance satellites.

5. Efficient Management

US intelligence must be managed so as to provide the most effective service at reasonable cost. Given the lack of comprehensive "sufficiency" or "value" criteria for intelligence, this is very difficult to accomplish in
a systematic and measurable way. Approximating the ideal and elusive standard of cost-effectiveness for intelligence requires careful structuring of authorities and decision processes that govern the daily use of current resources and the assembly of resources for the future.

a. Resource allocation means choices and trade-offs. It must be decided what programs should compete against each other. Some intelligence programs should clearly compete against other intelligence programs under a central system. Some intelligence programs should compete directly against non-intelligence activities, such as combat forces. At higher levels, the President and Congress must balance intelligence against national security outlays as a whole and the total federal budget. Rational resource allocation means building a framework with the attention span, competitive participants, and incentives that encourage a rational choice.

b. Because intelligence is a highly diversified service function, no single central authority acting alone can know enough about what is needed to make effective resource decisions. There must be reliable means for those served by intelligence—its constituency—to state their needs to and bring influence upon intelligence resource management decisions.

c. At the same time, there must be sufficient centralizing authority to force painful choice where it is needed on a rational basis, to compel programs to be justified on the basis of their ultimate contribution to intelligence or other product, and to preclude resource allocation purely on the basis of organizational ownership and clout. The decisionmaking power of this central authority must be commensurate with the responsibility it has to assure efficient resource management. Three levels of decisionmaking power can be brought to bear on intelligence resources:

-- power to define goals, requirements, and priorities;

-- power to shape the allocation of funds;

-- line management control over personnel, actual operations, and support activities.

For some intelligence activities of preeminently national character, all of the above powers might be rationally centralized, although many of them have been historically managed on a decentralized basis owing to their location in and need to serve a policy department. For others, central authority might effect adequate efficiencies through the first and second levels of power with line control in departmental hands. For yet others, decentralized resource
allocation authority outside of intelligence is appropriate because these activities should be balanced against non-intelligence needs at a low level of aggregation. Power to define goals, requirements, and priorities and power to allocate resources can be exercised with collegial advice or after collegial decision.

6. Safeguards Against Abuse in Balance with Security

Intelligence abuses, like military or police abuses, carry the potential of subverting constitutional principles and basic individual rights. Prevention of such abuses requires:

a. A viable system of laws and regulations that defines both the limits of proper intelligence activities and a viable secrecy regime to assure its effectiveness.

b. A set of oversight mechanisms within and outside intelligence that places responsibility for prevention of abuse in the hands of a few duly constituted and informed officials.

c. Clear lines of authority over and responsibility for intelligence activities.

d. Strong leadership from the President and all intelligence managers in cultivating professional ethics among all engaged in intelligence activities, upon which prevention of abuse ultimately must rest.

C. International Environment

Decisions on the principles and structures that govern the management of US intelligence must be made against the expectation that the next generation will be more difficult for the United States in many respects than the generation past. US relative power in the world has diminished; that of major adversaries has grown. Although US commitments have been adjusted, US current and potential interests have not diminished. They remain global, and an increasingly complex and interdependent international environment has made them more subtle. The international environment remains volatile and rich in potential for violence. Meanwhile, urgent domestic business constrains what can be allocated to traditional goals of national security, including intelligence. The public also demands assurance that those governmental activities necessary to provide for the common defense do not pervert its legal and political values.

The burden on US intelligence necessarily remains large. At a minimum, bearing that burden adequately requires a strong framework that can endure for a considerable period, adjust to changing needs, and allow the intelligence business of the nation to proceed with reasonable confidence after the turmoil of recent years.
II. Problem Areas

This section defines in general terms the major problem areas of the Intelligence Community. It is based on a comprehensive review of all U.S. foreign intelligence activities but is not itself a definitive critique. Its purpose rather is to provide enough background on the present performance of the Intelligence Community to comprehend the implications of possible organizational and other changes in terms of their impact on major difficulties encountered by the present system.

A. Production of National Intelligence

All serious reviews of the performance of the Intelligence Community have identified intelligence production to be a major problem area. In recent years it has almost become conventional wisdom that national intelligence production fails to provide the President, the NSC and other senior decisionmakers with the consistent high quality analysis and judgments they require. This situation is of concern because as the Church Committee report so aptly stated: "The production of finished intelligence is the principal purpose of all U.S. intelligence activities; neglect of it is unacceptable for the future."

1. Organization Performance

The major finished intelligence production agencies are the Central Intelligence Agency (CIA), the Defense Intelligence Agency (DIA), the Military Service Agencies and the State Department's Bureau of Intelligence and Research (INR). The intelligence elements of Treasury and ERDA play a more limited national intelligence role. Briefly defined finished intelligence production is the process whereby collected "raw" data is transformed into "finished" analytical reports and studies that are relevant to the requirements of a plethora of intelligence users. Intelligence production involves the specific tasks involved in the collection, evaluation and analysis of the full range of information collected not only by Intelligence Community human and technical sources but available to anyone from open sources.

The roles and performance of the major agencies involved can be characterized as follows:

-- CIA was originally conceived as a central and independent agency devoted primarily to coordination and final "correlation and evaluation" of all foreign intelligence data, irrespective of its original source, and with the objective of providing senior officials with high-quality finished intelligence reporting free from possible departmental bias. To achieve these ends (i.e. the production of so-called "national" intelligence) a sizable analytic corps has been created at CIA which is able by itself to produce on most questions that are of major importance and that is able
to act as a competitive balance to the production of departmental intelligence agencies. The DCI also has a small independent senior professional staff of National Intelligence Officers who devote most of their time to overseeing development of interagency analytical products, including most importantly National Intelligence Estimates, and other more formal interagency coordinating mechanisms, such as the National Foreign Intelligence Board. This appearance of order, however, is deceptive since—like in other areas—the DCI’s responsibility for national intelligence production is much greater than his actual authority which in reality runs no further than his line control over CIA’s analytic elements. The success of the interagency production effort in the final analysis rests on the voluntary cooperation of the participating departmental production elements. This system works best when conflicting demands on the departments are lowest (i.e., non-time critical situations) and on the least controversial, (and frequently the least important) subjects. CIA’s critics believe it does not pay enough attention to military factors and tends to take an ivory tower approach isolated from the real world of policy interests.

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DIA, as a departmental production agency, has many problems. It is seriously handicapped by the physical division of its production elements and it has never been able fully to solve the problem of recruiting high-quality civilian personnel using regular civil service procedures to work in an agency where many senior positions are restricted to military officers. The high turnover rate of its military officers is another mixed blessing. DIA’s greatest problem, however, is its mission of providing a full range of production intelligence support to many consumers: the Secretary of Defense and his office, the Joint Chiefs of Staff, the military services and field commanders. The wide range of requirements of these sets of customers are often different and together they are much more than the present DIA structure can accomplish. DIA’s involvement in the national intelligence production process and support of the Secretary of Defense often compete for scarce resources with the need to meet the tactical requirements of field commanders and the strategic ones of the JCS. Some critics believe that DIA analysis is too influenced by the military services.

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Service Intelligence Agencies. To some critics these agencies appear to be duplicative, but they do much useful work that contributes to national intelligence. The analyses of the service scientific and technical intelligence center, buttressed by their close rapport with service laboratories, are essential inputs to national estimates and judgments on foreign military capabilities, as well as vital to service responsibilities for weapons development, doctrine, and force structure decisions.
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INR. Insofar as intelligence production is concerned INR's missions are: (a) to provide analytical support for the Secretary of State and other policy officials of the State Department as well as diplomatic and consular missions; (b) to provide the Department of State's contribution to national intelligence; and (c) to furnish political and economic analysis for the use of other intelligence agencies through its own series of analytical reports. INR is also an interpreter of the foreign policy implications of analysis in other fields of intelligence, including strategic and military. Living as it does among policy and operational officials, the Bureau is in a good position not only to serve the specific needs of its foreign affairs clients but also to bring this perspective to bear in focusing national intelligence. This closeness to end users sometimes opens INR to criticism that it may be unduly influenced by policy views, but the benefits to the intelligence process clearly outweigh any threats to objectivity. The analytic quality of INR's product, while not uniform, is usually high. INR's small size, in comparison with its sister agencies, is a constraint on its ability to be fully responsive by itself to the needs of policymakers on a broad scale or to the demands of interagency intelligence production.

2. Specific Problems

Sweeping indictments are easy to make but it is more difficult to be precise in defining the national intelligence production problem. The most recent authoritative study of this problem was produced last year for the NSC by the Intelligence Community Staff.* It found that in the eyes of its users, the products of the Intelligence Community are "uneven, a mixture of demonstrable strengths and significant weaknesses." In summary, the most important specific findings of this study on user perceptions were:

- Inadequate Intelligence Community understanding of the needs of various sets of users and of priorities among these needs.

- General user satisfaction with current, short-term reporting on most topics and geographic regions, but a serious deficiency in anticipatory analysis which alerts policy components to possible problems in the relatively near future (one to three years).

- User desire for more multi-disciplinary analyses which integrate political, economic, technological and military factors to provide a broad appraisal of issues and events for developing US policies and programs.

*Semianual NSC Intelligence Review: An Assessment of National Foreign Intelligence Production, December 1976.
User discontent with NIEs and interagency products, especially regarding their utility, and relevance to policy issues.

- Problems in the Community's ability for early recognition of impending crises, in integration of intelligence with information on US political and military actions; and in the definition of responsibilities of the DCI and other Government officials concerned with warning and crisis information.

- User concern about what they view as unnecessary compartmentation of many intelligence products.

3. Causes

The causes for this uneven record are many, but the critical aspects appear to derive from certain systemic--though not necessarily organizational--problems:

a. Changing Requirements

The numbers of intelligence users is expanding and their needs are becoming more complex and sophisticated. Vital new issues concerning international economic, political, social and technological developments demand analytical treatment comparable to the more familiar and traditional national security issues. But the Intelligence Community cannot easily move to support these new concerns with its present relatively fixed fiscal and manpower resources. This is because at the same time the important traditional issues of Soviet and Chinese military capabilities and intentions are becoming both more resistant to collection and more complex in terms of the information required. Effective mechanisms for assigning priorities to competing analytical demands are central to resolving these problems.

b. Producer-User Relationship

The Intelligence Community too often has a poor perception of user's needs and cannot project future key requirements with confidence. Current mechanisms for adjusting intelligence priorities to match user needs are complex, imperfect and do not involve users to the extent that they should. At the same time, most major users of intelligence do not articulate their needs for intelligence particularly well and inadequately project their future needs. Thus intelligence managers have considerable difficulty setting firm priorities for allocating intelligence resources. This difficulty is particularly apparent in dealing with user needs that cut across traditional intelligence topics or regions, e.g., information relating to nuclear proliferation.
Information availability and communication problems inhibit the intelligence production process.

-- The basic principle of a free and timely flow of all relevant available information into the national intelligence production process has not worked perfectly. This has been particularly true in the area of keeping intelligence analysts sufficiently informed of U.S. policies and activities which effect their analyses and estimates.

-- No mechanism exists to insure that all relevant information collected by non-intelligence agencies is provided to the analytical elements of the Intelligence Community in a timely and systematic manner. As a result, considerable information of value to intelligence analysts and already in the possession of the USG is not adequately reflected in intelligence products. The free availability of such information would also make it possible to minimize to a greater extent intelligence collection efforts on that data unobtainable by other means.

-- There are also persistent problems in effecting adequate directive communications between analysts and those charged with the collection of raw intelligence. Ideally collection should be driven by analytic production requirements, but this is only infrequently the case. Available data and the impetus of technology tend to govern what is produced. The Intelligence Community remains structured in such a way that collection guides production rather than vice versa.

d. Balance of Production

The traditional intelligence output is solid, descriptive reporting—the when, where, who, what and how of facts bearing on various issues. Producers of finished intelligence tend to give priority to these responsibilities because it is necessary for their own operations and it answers the first line demands of users for direct support. A vocal body of users (and critics) also increasingly want deeper, more sharply focused analyses, estimates, and projections to improve their understanding of current situations and likely future developments bearing on the principal policy, program and negotiating issues.

Producers have encountered substantial problems in moving from factual reporting to complex analyses. Analytic products require more comprehensive and detailed data and the best and
most experienced personnel to produce it. Deeper analysis
takes more time and closer review by supervisors. Finally,
this kind of intelligence production is in direct competition
with the needs of both users and producers for "bread and
butter" work that maintains order of battle and capabilities
data bases, reporting on scientific and technological trends,
and description of day-to-day political and economic develop-
ments.

e. Intelligence Objectivity versus Policy Relevance

Good interpretive analysis often comes close to the meshing
of policy and intelligence. By tradition, however, intelligence
producers have favored passive over active support of users and
have been reluctant to initiate a closer user-producer relationship.
The worry has been that a closer relationship might somehow
compromise the objectivity of intelligence judgments. As a result,
many intelligence products have been less relevant and timely with
respect to user needs than could be the case.

In those areas where production and policy are closest (energy,
economics, terrorism, narcotics, SALT, MBFR and certain territorial
negotiations) maintenance of objectivity usually has not in fact
proved to be a serious problem. There is, of course, always a
danger that close working relationships between intelligence
analysts and departmental staff officers or senior policymakers
will result in biased products that are structured to support policy
positions, as producers come to identify with the policies they
helped develop. This is a risk but one that can be minimized by
the proper degree of professionalism on both sides and alert
management.

f. Checks and Balances

A doctrine has developed that calls for the DCI to deliver neatly
packaged national intelligence, complete with dissenting views
to the President and NSC. At the same time departmental intelli-
gence organizations are authorized to service directly two of the
principle NSC members--the Secretaries of Defense and State--
and through them also have a channel for direct dissemination of
their product to the White House. While these departmental entities
insist that CIA's national product be coordinated with them and
exercise vigorously their right to dissent, neither hesitates to
issue uncoordinated views in conflict with a "national" intelligence
position. CIA also provides "uncoordinated" views to NSC members.
The result all too often has been a flood of overlapping papers of
varying degrees of validity, unleased on the policymaker.
Obviously, sheer duplication is to be avoided but as in many other endeavors a certain amount of competition is healthy. Intelligence analysis seeks to know the unknowable and penetrate the impenetrable. When evidence is insufficient or ambiguous or absent, the more minds and more lines of analysis pursued the greater the chance of approximating the truth. When the competitive system works right each organization is stimulated by the critical work of others; none can afford to stand pat on conventional wisdom.

**g. Personnel Problems**

All production elements of the Intelligence Community have encountered difficulty in developing proper personnel systems and management relationships. While the collection and processing functions lend themselves readily to standard managerial and technical approaches, the analytical production job is highly dependent on the intangibles of intellectual brainpower.

Put another way, in the final analysis the intelligence product can only be as good as the people that produce it. Attracting creative individuals and providing them with a directed but stimulating intellectual environment is difficult within normal bureaucratic constraints. Promotion systems that are structured to single out for advancement to managerial positions the most outstanding lower-level analysts sideline key performers too often in roles they are ill suited to perform. The normal tendency toward managerial "layering" results in too many people reviewing and managing rather than creating original reports.

**B. Translating Intelligence Needs into Collection Tasking**

The DCI is the senior and central requirements officer for national intelligence. He is in charge of the processes whereby the Intelligence Community decides how to match current national information needs with currently available national collection assets.

Community collection management varies markedly among the three basic collection disciplines: imagery, signals intelligence, and human source collection. For each discipline, the center point of the process is an interagency committee whose staff forms part of the Intelligence Community Staff (ICS) and whose chairman reports to the DCI. However, the prescriptive power of these committee mechanisms over the actual operations of collectors varies considerably: from absolute in the case of the Committee on Imagery Requirements and Exploitation (COMIREX), to broader and more general in the case of the Signals Intelligence (SIGINT) Committee, to weak in the case of the Human Resources Committee (HRC).
The operational tasking of the major national collection assets has been greatly complicated by the increasing capability of these systems to serve not only the broad interests of national policymakers and defense planners but also the more specific technical interests of weapons developers and the more time-sensitive indications and warning, crisis monitoring and combat intelligence requirements of field commanders. Communications intelligence provides political and economic data, as well as information on military capabilities and operations. Agents are asked to collect information ranging from details of Soviet weapons technology and grain harvests through world-wide political intentions. Imagery systems produce photography which is of critical interest both to the SALT policymaker and the Army Commander on the East German border.

In the case of overhead imagery, the COMIREX brings together statements of need, adjudicates conflicting priorities, and provides precise collection instructions. There is a high degree of confidence that these precise instructions will be followed in satellite collection, barring mechanical failure. The resulting imagery is distributed to some 25 major exploitation facilities among intelligence agencies and military commands, with the central requirements mechanism seeing that the priority needs for reading out information are met and that appropriate data bases are maintained. There is little relationship, however, between this highly mechanistic system and that of tasking airborne photoint systems in the NFIP or in cross correlation with other collection methods.

By comparison with imagery, the SIGINT collection systems are much greater in number, widely varied in composition, and their output requires much more specialized processing. For these reasons, a single United States SIGINT System managed by the Director of the National Security Agency was created, and he was assigned additional national responsibilities for U.S. Communications Security. Given the existence of this single SIGINT system, the DCI's SIGINT committee translates information needs into actionable statements of requirements for the Director of NSA, with provisions for users to address time-critical requirements to NSA directly, keeping the central committee mechanism advised.

In the area of human resources collection, no consolidated national collection requirements system exists. Each HUMINT collection entity is provided guidance in the form of general DCI requirements statements; but each also operates on its own independent appreciation of national and departmental requirements through direct contact with analysts and policymakers. The HUMINT tasking problem is made even more complex by the fact that much of the human collection activity occurs through U. S. government entities that are outside the formal intelligence community structure e.g., Foreign Service Officers.
Treasury, Commerce, Agricultural attaches, military advisory groups. These entities are major producers of political, military and economic information, and are to a degree responsive to statements of intelligence needs. Their existence, however, outside the Intelligence Community helps shape the Human Resource Committee approach, which concentrates on general guidance and evaluation of overseas mission reporting.

A serious deficiency in the current requirements system is the lack of a formal and unified system for "all-source" requirements development which can orchestrate collection across the basic disciplines. Another key unresolved problem is ensuring the responsiveness of the major national technical collection systems in time of crisis and war to the military needs, both national and tactical, which these systems are increasingly capable of serving. There is also the problem of providing for the tactical commanders access to the national collection systems to serve their needs in peacetime; and in the other direction, of ensuring that the appropriate product of "tactical" intelligence collection is made available to national policymakers.

The collegial tasking mechanisms have a potential for interagency conflict, but in practice have provided a measure of certainty that no one consumer will be either totally neglected or completely satisfied. Finally there is a persistent perception that the collectors are not really responsive to the DCl in his requirements tasking mode because he lacks the means to hold them accountable for their performance. Lacking a systematic performance evaluation system as a "grade-card" for collectors, it is difficult if not impossible, to prove this case.

C. \textbf{Line Authority over Intelligence Elements}

By the term "line authority" is meant day-to-day management and operation of an activity, what has been called "command, without operational control" in the Defense Department. There appears to be general agreement that systems and organizations which are substantially Departmental and tactical in nature should remain under line authority of the departments although there is a significant grey area in defining what is "Departmental" and "tactical." The principal questions relate to responsiveness of nationally controlled intelligence collection systems to DCl requirements in producing national intelligence and to what line authority arrangements best facilitate transition from peace to crisis to war. The interface between national intelligence collection systems and the non-NFIP military facilities essential to support them—such as missile ranges, manpower, shipyards, base operations, logistics etc.—also must be considered in assigning line authority.

There are perceived problems in the DCl serving dual roles as a leader of the Intelligence Community and as head of the Central Intelligence Agency,
The final report of the Church Committee observed that "the Committee has found concern that the function of the DCI in his roles as intelligence community leader and principal intelligence advisor to the President is inconsistent with his responsibility to manage one of the intelligence community agencies—the CIA. Potential problems exist in a number of areas. Because the DCI as head of the CIA is responsible for human clandestine collection overseas, interception of signals communication overseas, the development and interception of technical collection systems, there is concern that the DCI as community leader is in a conflict of interest situation when ruling on the activities of the overall intelligence community."

"The Committee is also concerned that the DCI's new span of control—both the entire intelligence community and the entire CIA—may be too great for him to exercise effective detailed supervision of clandestine activities."

A counterview to these concerns, expressed by CIA personnel in arguing for the status quo, suggests that removing the DCI organizationally from the CIA would deprive him of his substantive base of support, thus adversely affecting his ability to function as the substantive intelligence advisor to the President. They consider the DCI tie with CIA absolutely inseparable, given the direct access that provides to the President, and they hold the view that to be a strong Community leader, the DCI needs not less authority over CIA but rather greater authority over other principal elements of the community.

Individuals from the IC Staff and CIA maintain that the capability of the DCI to produce high quality and responsive national intelligence can be substantially enhanced if he is given line authority over the major nationally controlled collection assets (NSA, and Air Force and Navy Special Programs). Intelligence managers in State and Defense contend that such shifts of line authority are neither necessary nor desirable. They claim, the DCI can already obtain full support through his existing prioritization and tasking authorities and access to all their products, and that such shifts would be seriously disruptive to support for the conduct of diplomacy and military operations in crisis and war since these national collection programs depend in large part on DOD assets and expertise worldwide for effective operations.

D. Program/Budget Development and Resource Allocation

1. E.O. 11905

E. O. 11905 created a collegial forum—the CFI (now the PRC/I)—for intelligence program and budget decisions and charged it with controlling budget preparation and resource allocation for the NIFP, playing a role in establishing production and collection priorities, establishing management policies, and providing guidance on the relationship between tactical and national intelligence. The Intelligence Community Staff (ICS) was charged with supporting the CFI as well as serving the DCI who was also tasked with the development of national intelligence requirements and
and priorities. The DCI, under title E.O., was to ensure the development and submission of a budget for the NFIP to the PRC/I. The CFI was to review and amend the budget, as appropriate, for the NFIP prior to submission to the OMB. These provisions, together with authorities over reprogramming and requirements on the members of the Community to furnish the DCI and CFI the information needed to perform their duties, lie at the heart of the Community's resource management structure and debate.

2. Ambiguities and their Results

The E.O. has certain ambiguities that plagued CFI operations during its first year. First, while the DCI's role in establishing intelligence requirements and priorities was reaffirmed in the E.O., the CFI, in addition to its resources role, was given responsibilities for providing guidance, policy for management, and policy priorities for the collection and production of national intelligence in an attempt to relate requirements to resource planning. The relationship between the DCI's and CFI's role in those latter responsibilities was unclear and never resolved.

Second, while the CFI was to control budget preparation and resource allocation, the E.O. did not directly modify the roles of the heads of departments and agencies with respect to allocation of resources, describing their functions in terms of "conduct," "direct," or "operate" as contrasted to the "control" reserved for CFI. The intent was to accommodate to, not supplant, the resource management procedures of the departments/agencies in order to permit the DCI and CFI to fulfill their roles.

Third, the IC Staff, while charged with supporting all of the principals of the CFI, was subordinate to the DCI providing a much greater measure of support to him and staffs supporting the other principals were not only retained, but strengthened. The amalgamation of DCI/CFI authorities with Department/Agency authority was probably too subtle. This led to ambiguities, particularly with respect to program and budget decisions. The ambiguities, it is generally acknowledged, led to considerable confusion and unproductive debate over prerogatives and authorities on the part of the principals, their staffs, and the intelligence agencies on their respective roles in direction, resource control, and guidance of intelligence activities.

Despite these ambiguities in the E.O., there is general agreement on what the CFI, supported by the ICS, did during its first year of operation. Its dominant focus was on development of review procedures and review of the FY 1978 programs and budgets submitted by the individual intelligence components of the NFIP. The generally accepted views (while still heavily debated as to whether good or bad) are:

- The committee, the IC, DoD and OMB staffs had significant problems in developing procedures, and they spent considerable time ironing out these procedures.
Defense tried to focus committee attention on a set of difficult, albeit real, management problems that have historically been resistant to central management authorities; it resisted committee involvement in the details of Defense activities which comprise over 80 percent of the NFIP on the basis that the committee should not redundantly, or "micro-manage" activities best left, in its view, to lower decision levels.

- The ICS, in turn, attempted to focus committee attention on a discrete set of precise dollar issues in the context of an individual program; it resisted committee involvement in either complex cross-program issues or longer range resource management alternatives.

- The OMB appeared to approach the CFI somewhat ambivalently. It tried to use an alliance with the IC Staff as a means of obtaining detailed financial and detailed technical program information on intelligence systems from the departments which it had, over the years, found difficult to obtain. At the same time, OMB appeared to react negatively to the situation where OMB was not a participant in the CFI as they had been in past intelligence resource management forums. This reaction took the form of fueling the procedural debate, reinforcing an OMB role between the CFI and the President, reserving to itself the prerogative to independently formulate issues for Presidential decision as in other Executive Department budgets.

-- These differences in resource management philosophies resulted in an FY 1978 review that:

- Focused committee attention on a discrete set of precise dollar issues mostly within individual programs as identified primarily by the program manager.

- Submerged minor dollar issues, whether or not relevant to cross-program or longer range management objectives, in the belief that neither the committee nor the President could effectively deal with them.

- Deemphasized major intelligence management problems and establishment of policy priorities that would focus attention on cross-program issues or longer range problems.

-- It coordinated appeals of FY 1977 congressional appropriation actions, made FY 1978 budget recommendations on the issues
reviewed, presented a consolidated budget for review, and participated, with the President and OMB, in a final review to submission of the President's budget to Congress.

There is also general agreement on what the CFI did not do (and still much debate over whether or not they should do) during its first year of operation:

-- The CFI established no policy priorities for intelligence production or collection or framework for determining them outside of the generally implicit priority determined by resource issues.

-- DCI requirements and priorities were not reasonably definable, either in total, across, or by individual collection technique, such that the CFI could relate them to resource needs and allocations.

-- The CFI although charged to do so, established no guidance for clarifying the scope of intelligence in order to establish an interrelationship between intelligence needed at the Washington policy level and that needed at the field operating level.

3. Expectations for the Current Process

The CFI processes have been given a very short time to operate and the experience base for making judgments on their efficacy is extremely limited. Nonetheless, the broad outlines of the characteristics of the current resource review process for intelligence are reasonably definable:

-- Lacking more precise Presidential allocation of specific authorities, there will continue to be considerable disagreement about processes/procedures, including access to financial information, programmatic detail, and justification data, which will detract from substantive review.

-- With a PRC/I mechanism focused on resource allocation and a separate DCI mechanism focused on requirements, the necessary bridge between the two, essential to effective intelligence community resource management, is likely to develop slowly, if not at all; the relationship between intelligence requirements and resources will continue to be obscured as long as separate processes and procedures for development of each are continued.

-- Longer range intelligence management problems will continue to be resistant to review as long as the resource development and review processes are structured primarily along present lines.
The resource issues amenable to PRC(I) review will continue to be a selected set of important but narrow and precise dollar issues, largely integral to an individual program because effective methods to crosswalk priorities, requirements and other programs are lacking.

The problems of relating so-called national, departmental and tactical intelligence resources and capabilities will continue to grow with the potential for substantial duplication or, at worst, two separate streams of intelligence (national and tactical).

Performance evaluations extending beyond the scope of an individual program will continue to be rare and difficult to perform.

Intelligence resource management today is tied to a set of individual programs largely structured along single or semi-unique lines, and many of its characteristics would be present to some degree even with an effective collegial resource review process in place at the top. This specialization combines with institutional cultures, reinforced by security concerns, to impede open and frank discussions of concerns across specialized and compartmented lines.

There is, thus, some validity to the charge--widely voiced by operational personnel at various levels—that program managers, departmental staffs, the PRC(I), OMB, and the Congress— are micro-managing at a level of review and detail unbecoming their status. Since there has been no coherent aggregation of requirements and resources outside the individual programs, reviewers at all levels tend to address the same issues. Should 2 or 3 satellites be bought? Should an aircraft have X or Y equipment? Is human source collection in X country satisfactory? At times these questions are legitimate and should be pursued. But, there is a substantial degree of frustration on the part of both increasingly higher levels of program managers and outside reviewers—the former with the repeated reviews of their decisions and the latter with the inability to review decisions in a different or broader context. On the other hand, the broader questions are not being systematically addressed. Is the resource balance among collection, processing, and production about right? Is the allocation of resources among human source, imagery, and signals intelligence—either in total or on a given subject—appropriate? Is there proper resource emphasis on the USSR versus Western Europe, on political or economic versus military questions? Such issues are rarely raised and only partially answered because of the community's and the reviewers' ability to come to grips with them.


E. O. 11905 and the creation of the CFI neither attempted to nor solved many basic problems associated with intelligence resource management and, through various ambiguities, resulted in considerable confusion as to
roles and responsibilities of those involved in the resource management task in solving them. Intelligence resource needs and their allocation among intelligence functions are heavily dependent on foreign and defense policies, priorities with respect to intelligence production and collection emphasis, requirements in the sense of information needed to be collected now or in the future, and the range of intelligence users intended to be served. Foreign and defense policies and alternatives are primarily an exogenous factor, though the interaction between policy and intelligence is complex and, at times, influences resource allocation. The remaining factors—intelligence community priorities, collection requirements and clarity with respect to the range of users the community is attempting to serve—are, however, primarily factors internal to, and controllable by, the intelligence community and can directly shape its resource needs and allocations. E. O. 11905 provided no new guidance on dealing with these factors and the CFI had a difficult time grappling with them.

One key problem is who should be charged with intelligence resource management and what are the respective roles of the PRC/I, the department/agency heads, the DCI, OIM, the program managers, and their staffs. In essence, since it has long been recognized that all have at least some role to perform in managing intelligence resources, this is a question of what mechanism should orchestrate the community resource management procedures and systems and what should be the extent of its authority. The PRC/I without specific Presidential guidance, can do it only with difficulty as the experience of the last year indicates. The IC Staff is effectively limited to areas where jurisdiction is agreed upon by the principals. The program managers' effectiveness is constrained to areas within his purview and has no responsibility or ability to integrate his resource management procedures and systems beyond his own domain.

In addition to deciding who is in charge and the extent of his authority, guidance on the type and nature of the resource decision process is needed. The major problems related to current processes include:

a. Relating resources to consumer needs and priorities.

Because the community cannot adequately relate resource inputs to outputs for consumers, both the community and the consumers are ill-equipped to determine what is needed at what cost. A reasonable means of conveying to the consumer alternatives on both information needs and on the related collection and production options/costs appears to be needed. Organizationally a single group or set of groups that can consciously translate among consumer needs, production capabilities and resources, and collection capabilities and resources appears to be needed.
b. Relating collection requirements to resources.

The link between producer information needs and collection requirements/resources is to a great degree intuitive and judgmental, and generally devoid of explicit consideration of resource implications. As a result, a systematic relationship between product needs and collection requirements/resources is lacking. Some more conscious tie between collection requirements and resources that forces an explicit consideration of the value of the information to be collected to the resources required for that collection needs to be developed. The community's individual programs have historically resisted this conscious interrelationship of requirements and resources, either for pre-budget justification or in a post-facto evaluation sense.

c. Identifying cross-program issues and analyzing them.

The vast bulk of community resources should be more competitive across present program lines. The community's current and past specialization both in terms of collection approaches and production does not facilitate cross-program comparisons. SIGINT, imagery, and HUMINT requirements are seldom compared either in terms of competitive potential collection against a given target or in terms of actual past accomplishments. Similarly, production resources are rarely compared either to consciously prevent undesirable overlap or to consciously promote competitive analysis.

The current organizational structure of the community's consumer liaison, production, requirements, and collection elements inhibits any attempt to crosswalk among its various components. Yet these seem to be fruitful areas for impacting on the overall size and allocation of intelligence resources. More explicit consideration of cross-program issues would be highly desirable and cross-cutting review mechanisms are required.

d. Focusing on longer range intelligence management problems.

The potential competitiveness of community resources extends beyond the current and future allocation of resources to encompass alternative management arrangements for many community functions. These would include such community-wide functions and services of common concern as ADP, communications, security, and liaison arrangements. Current community structure and resource review mechanisms fragment these activities among many components that make it difficult to focus management attention on these issues
which have both resource and organizational implications. While cross-program by definition, they are unlikely to be resolved by a straight-forward cross-program resource approach without consideration of basic organizational and structural issues.

e. Relating national and tactical intelligence needs and resources.

The current dichotomy between national and tactical intelligence is becoming increasingly artificial with the development of technologies—both in collection and in communications—that knit the two together. There is general agreement that a tie is needed whereby the resources and needs of each can be wedded to the other. Current national and departmental management approaches are not conducive to this interaction and are unlikely to confront the relationship directly. Organizationally, the community needs an explicit mechanism either outside the NFIP or within it to force consideration of the relationship between national and tactical intelligence needs and resources. Since this largely affects Defense, it appears DOD should take the lead in making this relationship explicit, possibly through assignment of this responsibility to an OSD-level component.

E. Counterintelligence

Foreign counterintelligence—the protection of the United States and its citizens from foreign espionage, covert action and terrorism—is the only major intelligence discipline for which there is no agreed national policy and no policy-level coordinating body. The Rockefeller Commission, the Church Committee, the Senate Intelligence Committee and the President’s Foreign Intelligence Advisory Board have each pointed to these deficiencies, and each has made recommendations to correct them. The subject was not covered substantively by Executive Order 11905.

1. Nature of the Problem

The counterintelligence problem is complex because espionage and covert action programs directed against the U.S. are activities which:

- are conducted by allies as well as enemies;

- depending on circumstances, may or may not be illegal
  (and even where illegal, may be more important to contain and counter than to prosecute);
vary in importance from benign to critical;

- are pervasive, but their extent is impossible to measure with precision;

- are demonstrably serious, but the damage is difficult to assess;

- are systematically organized and directed, but the evidence about them is fragmentary and isolated;

- seldom touch us knowingly as individuals, but significantly affect U.S. collective defense and national welfare;

- affect our international relationships, and infringe upon the responsibilities (often conflicting) of a number of departments and agencies;

- thrive on human weakness, greed, and misdirected idealism.

Counterintelligence embodies elements of intelligence activity and criminal investigation but is a distinct pursuit and responsibility. It can provide intelligence on foreign plans and intentions, but this is a valuable by-product. It can lead to criminal prosecution, but this is not the purpose. Unlike positive intelligence, the object is to deny, not acquire, information and, unlike criminal investigations, counterintelligence starts with the presumption of an intent to injure the national interest, not with evidence that a crime has been committed. Foreign counterintelligence serves one purpose—to protect the national security and the national welfare from secret incursions from abroad. It is an activity which requires continuous judgments ranging from policy considerations to operational decisions, but these judgments must be made against a background of changing views on what constitutes the national interest and security. Counterintelligence must be conducted by experts, but guided and defined by elected and appointed officials.

2. Definition of the Threat

There are several ways to assess the threat of foreign espionage, each of which has a bearing on the nature of the counterintelligence response.

a. The traditional assessment of the espionage threat has been an attempt to describe the enemy force structure. Such assessments have been based on a combination of hard facts, extrapolated data, and logical conjecture. In every case, they present a picture of
forces so overwhelming, diverse, complex, and secretive that efforts to arrive at a coordinated national response are effectively paralyzed; how do we cope with the activities of more than 500 hostile foreign intelligence officers scattered throughout the U.S., let alone the cadre of agents who furnish these officers with intelligence information; how we cope with the additional thousands of hostile intelligence officers and their agents whose activities are directed at the recruitment for espionage of U.S. citizens living or travelling abroad.

b. Another and still imperfect assessment of the threat, but one which aids in establishing counterintelligence priorities, is the damage assessment: an effort to assess the consequences on national defense and national welfare of the flow of classified and proprietary information abroad. This kind of assessment seeks to describe the impact on our military preparedness of the compromise of a weapons guidance system or the effect on a diplomatic negotiation of a spy in the foreign office. However, such events are dealt with in isolation, seldom sustain policy-level attention, and there is a bureaucratic premium on limiting the damage assessment because the cost and programmatic implications of a full assessment can be catastrophic.

c. A third consideration in assessing the threat posed by foreign espionage is the degree to which it trespasses on the rights and freedoms of U.S. citizens. Does not Soviet intercept of U.S. telephone circuits invade the right of privacy? A correlated question is to what extent can an open and democratic society meet the threat to the collective welfare through counterintelligence investigations? Present statutes do not provide an adequate base for the investigation of potential acts of espionage and terrorism.
companies, basic industries, commodity brokers, banking activities, computer and high-technology software, etc. That the information is used against us has been demonstrated by Soviet efforts to exacerbate the 1973 oil embargo, the manipulation of international money markets, and the catastrophic increase in the price of sugar two years ago. Through collusion with U.S. citizens the Soviets have illegally acquired proprietary data processing know-how and embargoed electronic equipment.

3. Institutional Responsibility

Responsibility for various aspects of counterintelligence is divided between the FBI, the CIA, the Army, the Navy, and the Air Force. The jealously guarded prerogatives of each and the acknowledged need for the utmost discretion in handling counterintelligence cases have in the past prevented the implementation of effective coordination. Equally important, each case of foreign espionage requires the responsible agency or agencies to deal with other elements of the Government which often have different kinds of responsibilities, inadequate guidelines and authority for dealing with counterintelligence issues and, in many cases policy considerations which run counter to the practice of effective counterintelligence.

An excellent single example of the coordination problem concerns the admission of foreigners to the U.S. The complex visa regulations which establish who and for what purpose a foreigner enters the U.S. are administered by the Department of State. Determination as to whether or not a foreigner (even with a visa) is actually admitted is wholly the prerogative of the Immigration and Naturalization Service. In both cases, policy considerations permit the granting of a visa and admission to the U.S. of identified foreign espionage agents. This is notwithstanding the fact that, with the exception of some Communist bloc nationals, a foreign visitor, once in the United States, is unrestricted as to what he does and where he goes and is generally accorded the same legal protection as a U.S. citizen in the conduct of counterintelligence investigations.

The intelligence community is working the counterintelligence problem, but their authority and responsibility are properly limited.

a. The foreign counterintelligence responsibilities are to identify and neutralize the intelligence activities of hostile nations in the United States, and to detect and counter the foreign support or direction of terrorist groups and the Communist Party of the U.S. FBI programs focus on the 14 Communist nations represented in the United States and seek to cover the intelligence activities (including contacts with U.S. and third country citizens) of their diplomatic
personnel, employees in trade and international organizations, couriers, correspondents, exchange and commercial visitors, seamen, migrants and refugees. FBI investigative techniques include physical and authorized technical surveillance, and recruitment of foreign intelligence officers and their agents.

b. CIA is responsible for U.S. counterintelligence activities outside the United States. These include the penetration of hostile intelligence and security services, the detection and countering of espionage and subversive efforts directed at U.S. personnel and installations abroad, and liaison with certain foreign intelligence and security services on counterintelligence matters.

c. In the Department of Defense each of the three military departments is responsible for detecting, investigating and thwarting the intelligence activities directed against its personnel and installations worldwide, and for the prosecution of military employees involved in espionage.

Jurisdictional delimitation agreements and National Security Council Intelligence Directive (NSCID) 5 define the geographic limits and coordinating responsibilities of the FBI, CIA and the military services. On the operational level coordination has been reasonably good but there have been serious gaps. On the policy level, particularly, where other departments and agencies are concerned, coordination and cooperation on counterintelligence problems have been limited to practical necessity. The only official counterintelligence policy body is the Interdepartmental Intelligence Conference (IIC) created by the National Security Council in 1949 to coordinate "all investigations of domestic espionage, counterespionage, sabotage, subversion and other related intelligence matters affecting the national security." Its members are the FBI and the three military services but not the CIA. In 1962 supervision of the IIC was transferred to the Attorney General. While at various times the IIC has been an effective coordinating body, it has been inactive for the past
several years and never fulfilled its ultimate potential as a national counterintelligence policy organization.

NSCID-5 provides inter alia that the DCI shall develop national policy for counterintelligence overseas, but the conscious formulation of such national policy has not been achieved.

There is now a consensus within the three branches of Government that the complex issues inherent in countering foreign espionage, covert action and terrorist activity directed from abroad must be squarely faced at the senior policy level. There is no quick fix. Foreign counterintelligence involves both domestic and foreign policy considerations and raises Constitutional and legal questions which can only be resolved by effective and systematic interaction between the involved department and agencies.

F. Public Trust and Confidence

Public trust and confidence in the Intelligence Community have been seriously undermined by disclosures of activities in the past that were illegal, injudicious or otherwise improper by today's standards. Moreover, many disillusioned persons who have come to believe the worst of their government tend to accept at face value exaggerated imputations of impropriety to legitimate foreign intelligence activities. In some quarters there is a persistent belief that U.S. foreign intelligence activities have still not been brought under adequate control. Clearly the Intelligence Community must earn wider acceptance of its legitimacy and role within our democratic form of government if a viable U.S. foreign intelligence effort is to be sustained over the longer term.

Congressional attitudes have also changed. Intelligence had as its original political base only a small group of senior congressmen, who protected it from and blocked its exposure to their colleagues. Over a quarter of a century, however, age and the electoral process took their toll of this group of elders and the position of those that remained was weakened, partly because the national attitudes of the 1940-45 period changed and the consensus they reflected was eroded by the Vietnam War and Watergate. Intelligence has thus been exposed in recent years to a rapidly growing new generation of political leadership that neither shares its traditions nor its view of the world. To complicate matters, the oversight of intelligence has become a testing ground both for the generational struggle within Congress and for overall balance of power between Congress and the Executive Branch.

Reorganization in and of itself will not create the indispensable base of public confidence and Congressional support which the Intelligence
Community lacks today. Structural improvements in the name of efficiency must be accompanied by provisions for adequate controls and internal checks and balances—even at the cost of efficiency—in order to develop and sustain public confidence. Congress and the public must not only be satisfied that U.S. foreign intelligence activities pose no current domestic threat but that such a threat cannot be created by another Administration in the future.

There are two other aspects to the question of public confidence: effective Executive and Legislative oversight; and reconciliation of the need for secrecy with greater public pressure for disclosure and accountability. Over the last year the need for effective oversight has been widely accepted within both the Executive and Legislative branches of government. The challenge here is to institutionalize the oversight concepts and functions.

The secrecy problem is much more complex. The need for secrecy is critical to the continued effectiveness of U.S. intelligence. Intelligence operations require a certain indispensable measure of secrecy and simply cannot be conducted unless Congress and the public accept this basic fact. This should not be impossible given the fact that the public already understands the need for secrecy in a wide range of other private and public matters from the lawyer-client relationship to the Federal Reserve's intervention in the nation's monetary system. However, resolving the issues secrecy raises in our open society will also require fresh analysis of what aspects of intelligence actually require protection, review of the concepts involved, and careful examination of the kind of legislation needed.

Projecting a positive image and promoting better public understanding is a difficult business. It must be rooted in the facts of performance yet circumscribed by the dictates of security. As the Intelligence Community, and especially CIA, engages in increasingly sophisticated analysis on a wide variety of nationally important topics it will inevitably be exposed to partisan criticism. For example, National Estimates on strategic issues will, if they are of any value at all, inevitably become part of the policy debate on SALT and U.S. military force structure. While intelligence analysis should be able to stand up to vigorous challenge by non-intelligence experts and be made available to all appropriate decisionmakers, care must be taken to insulate it from partisan public debate to the extent possible. Intelligence cannot become an open-ended public information service and still retain its special quality of providing discreet, no-holds-barred analysis for highest level governmental decisionmaking.
III. Structural Options

Beginning with a description of the present structure, this section then identifies a representative range of organizational options. It is not intended to be theoretically comprehensive but rather to portray real world possibilities responsive to the criteria and problems previously identified in Sections I and II of this report.

The United States Government has an intelligence structure (Figure 1) whose present shape and functions have been dictated more by pragmatism and historical accident than conscious design. This structure is often referred to as the "Intelligence Community," an elusive term that tends to confuse more than clarify reality. There is in fact no single well-integrated and fully rationalized "community" but rather an aggregate of interlocking and in part overlapping intelligence-related responsibilities distributed in several major departments and agencies which are to varying degrees "coordinated" or "guided" by collegial mechanisms, through the process depicted in Figure 2.

Viewed functionally the organizations involved in the intelligence process may be grouped as follows:

a. The collectors and processors of information

-- CIA has primary worldwide responsibility for clandestine collection of human source information and collects and processes signals intelligence in certain unique circumstances. CIA also conducts as "services of common concern" monitoring of foreign public radio and television broadcasts and foreign press services, collection of foreign intelligence information from cooperating sources in the U.S., acquisition and translation of foreign publications and photographic interpretation.

-- The National Security Agency (NSA) oversees a unified research, development and deployment program for the military cryptologic services, exercises control over the signals intelligence collection and processing of the government, and itself collects, processes and distributes signals intelligence in accordance with requirements and priorities established by the DCI.

-- The Air Force Special Program (AFSP) is responsible for
coordinates the collection activities of the Military Department Services and Unified and Specified Commands, and processes (interprets) imagery.

-- Military Departments and Services each have responsibility to collect intelligence information within its specialized field of competence in support of national, departmental and operational command requirements. Army intelligence (ACSI) conducts human source collection in the Pacific area and in Europe and limited imagery collection in Europe and Korea while the Army Security Agency (ASA) collects signals intelligence. The Air Force performs human source collection and specialized signals intelligence collection through the Air Force Security Service (AFSS) and operates the Atomic Energy Detection System (AEDS) and Air Force Technical Sensor Program for the collection of radar and optical data on Soviet and Chinese missile capabilities. Navy intelligence engages in human source collection and conducts special reconnaissance activities for imagery, signals and other technical intelligence.

-- The Department of State does not engage in intelligence collection as such, but Foreign Service reporting on subjects of interest are made available to intelligence production components. The Bureau of Intelligence and Research (INR) serves as a coordinating point for intelligence and requirements for FSO reporting.

-- The Department of Treasury is responsible for overt collection abroad of financial and monetary information in ten major countries where Treasury Attachés are posted and participate with State in overt collection of general foreign economic information.

-- The FBI gathers information in pursuit of its counterintelligence and security responsibilities and, provides intelligence agencies positive foreign intelligence information it obtains from its investigative operations.

-- The Energy Research and Development Administration overtly collects energy research and development information through technical exchange programs and ERDA representatives abroad and, formulates requirements for State's Scientific Attachés.
UNCLASSIFIED

ORGANIZATIONS WITH FOREIGN REPORTING CAPABILITIES

FIGURE 3
b. The providers of specialized intelligence services.

-- CIA has primary responsibility for the conduct of counterintelligence abroad, liaison with foreign clandestine services, and conduct of the Defector Program. It also assumes responsibility for most covert action operations, on occasion with assistance of DoD and State.

-- The FBI is responsible for foreign counterintelligence and counterespionage within the U.S., has jurisdiction over defectors within the U.S. and, to a lesser extent, has law enforcement responsibilities in the national security field.

-- DIA reviews and maintains cognizance over all plans, policies and procedures for noncryptologic intelligence functions of DoD.

-- The Army, Air Force and Navy each have counterintelligence responsibilities relating to their individual services.

-- The Secretary of Defense is responsible for timely transmission of "critical intelligence," as defined by the DCI, from the field to higher authorities.

-- NSA acts as the central communications security authority for the USG and conducts research and development to meet the needs of the government for signals intelligence and communications security.

c. The producers of "finished" intelligence

-- CIA, under the supervision of the DCI, produces (current, basic and estimative) national intelligence including foreign political, economic, scientific, technical, military, sociological and geographic intelligence, designed to meet the needs of the President, the NSC, and other elements of the USG. The production elements of other intelligence agencies contribute to and are consulted or coordinate, as appropriate, in their areas of responsibility.

-- Bureau of Intelligence and Research produces departmental analytical intelligence (current and estimative) in direct...
support of the State Department's conduct of foreign affairs and conducts an external research program. As time permits, inputs are prepared for national analytical products.

DIA produces departmental intelligence for the Secretary of Defense, the Joint Chiefs of Staff, the military services and field commanders and, as appropriate, non-Defense agencies. This includes current, estmative and research products on military and military-related topics, including scientific, technical and economic subjects. Inputs are prepared for national analytical products.

The Military Services, Departments and Commands issue a large volume of intelligence publications in support of their particular missions. This material does not circulate widely in the national community, but the analysis performed by the various service research centers (e.g., the Air Force's Foreign Technology Division) is often used in national-level publication.

The Treasury Department intelligence unit produces as appropriate products designed for specific departmental responsibilities.

ERDA's intelligence unit produces reports primarily for internal use and provides appropriate inputs for national intelligence products.

The National Security Council is charged by the National Security Act of 1947 and E. O. 11905 overall guidance and direction to the development and formulation of all national intelligence activities. Historically this has been accomplished by (a) direct written and/or oral communications between the DCI and the President (b) the issuance of National Security Council Intelligence Directives which define the basic duties, responsibilities and division of labor between the departments and agencies (these chartering documents were to be updated within 90 days of the issuance of E.O. 11905 in February 1976, a process which was not completed by the Ford Administration and has been held in abeyance pending the outcome of PRM/NCS-11) and (c) through NSC Committees.

Lacking a single central authority short of the President and given the multiplicity and diversity of interest involved, a collegial or committee approach has been taken on the major aspects of community management.
Power, authority and responsibility are shared among groups of interested parties as indicated in Figure 4. Actual line control is, however, exercised within departmental chains of command and can override community collegial decisions.

-- The NSC's Policy Review Committee for Intelligence (PRC/I), chaired by the DCI, is mandated to review resource needs, control budget preparation and resource allocation, and establish policy priorities for collection and production as well as for the management of the National Foreign Intelligence Program. The DCI's Intelligence Community Staff provides staff support.

-- The NSC's Special Coordination Committee for Intelligence (SCC/I), chaired by the Assistant to the President for National Security Affairs, reviews and makes recommendations to the President on covert action programs and sensitive intelligence collection operations.

-- The National Foreign Intelligence Board, (NFIB), chaired by the DCI and including the heads of the major intelligence agencies, acts as a general advisory body to the DCI on priorities, requirements, and national intelligence production.

-- DCI Interagency Committees exist for the development and prioritization of requirements for signals intelligence, imagery and human source collection.

-- The DCI, through his Intelligence Community Staff, provides general planning and policy guidance, including requirements for future capabilities to produce, process or collect and the individual departments and agencies devise more detailed specific planning documents for implementation.
### COMMUNITY MANAGEMENT ROLE UNDER E.O. 11905

<table>
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<th>ORGANIZATION</th>
<th>CIA</th>
<th>SPECIAL AIR FORCE</th>
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<td>Planning, Programming, Budgeting, Resource Allocation</td>
<td>A (C)</td>
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<td>Other Unit Management</td>
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<td>A</td>
<td>D (A)</td>
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1. DCI manages CIA & N/O role, negotiates departmental contribution; departments control, departmental resources & quality.
2. DOD is normally controlled by Community requirements.
3. CIA resources are effectively controlled by the DCI but must be reviewed by the SRC (l).
4. CIA operates specific overseas Imagery & SIGINT systems under the Special Air Force.
5. DIA establishes requirements & priorities for GDIP collection entities.
A. Modification of E. O. 11905

One approach is to accept the present structure of the Intelligence Community and the management arrangements set out in E. O. 11905 making only those changes that will improve the ability of the community to coordinate its activities and reflect the procedural problems of the last year (see separate Attorney General Subcommittee Report) without a major shift in responsibilities. The current operation of line control, resource management, production entities, requirements formulation, and planning guidance would remain largely unchanged. E. O. 11905--as modified--would then become the basis for the Administration's legislation proposals. This course is reasonable if one believes:

-- Present arrangements provide about the right balance between central and distributed authority in the Community;

-- The present collegial process of resource management at the Community level offers an acceptable means of maintaining the responsiveness of the Community to several major consumers at the national and departmental levels, while achieving reasonable efficiency in the allocation of intelligence resources;

-- The performance of the Community under the present management system can improve substantially as its procedures become more familiar and its participants more experienced.

If the status quo is, in the main, acceptable, there is merit, nevertheless, in amending E. O. 11905 in several aspects relating to Community management.

-- It should be made clearer just what the PRC(I) is responsible for in developing management policy, controlling and reviewing budget preparation and resource allocations, and establishing policy priorities for collection and production; the DCI's roles similarly require more specificity relating to his responsibilities for policy, requirements, and priorities relating to national intelligence collection and production, under the guidance of the NSC, and with the advice of NFIB or such supporting mechanisms as may be created.

-- One year's experience under E. O. 11905 indicates that the order's specific provisions for reaching program and budget decisions require clarification. Otherwise, unproductive tension over procedures and authority, particularly between OSD and the IC Staff, is inevitable.

There are two basic alternatives. The first would in practical terms augment the authority of the PRC(I), the DCI, and the IC Staff (Option 1). The
second would protect the ultimate authority of departments with resources in the NFIP, particularly the authority of the Secretary of Defense (Option 2).

**Option 1: Enhance PRC(I) and DCI Resource Management Authority By Removing Ambiguities**

This option would modify the status quo (EO 11905) by (a) strengthening the DCI-White House-DoD-State collegial resource allocation system (PRC/I) with additional limitations on the flexibility and prerogatives of individual departments/agencies and (b) establishing either the DCI alone (Option IA) or the PRC(I) collegially (Option IB) in a position of primacy in establishing management priorities for all national intelligence activities and setting policy priorities for collection and production. It would:

-- Make clear that the PRC(I) reviews, approves, and amends the NFIP, as a whole and at a level of detail it deems appropriate; it submits the program and budget through OMB to the President.

-- Make clear that PRC(I)-approved NFIP program and budget decisions are "fenced" against alteration by program managers and their departmental or agency superiors. Departmental efforts to alter the impact of PRC(I) decisions on their programs are expected to be rare and made only through explicit appeal first to the PRC(I), then the NSC, and finally, as a last resort, to the President.

-- Give the IC Staff, on behalf of the PRC(I), specific responsibility for and authority to monitor the implementation of PRC(I) decisions.

-- Clearly authorize the PRC(I) and the IC Staff to deal directly and candidly with national intelligence program managers in departments and agencies, regardless of location, on program and budget matters, to gather data, conduct studies, examine resource options, etc.

-- Oblige the PRC(I) to conduct as soon as possible a thorough review of all intelligence and intelligence-related activities of the government to establish, with some prospect of stability, the scope and contents of the NFIP.

-- Give the DCI primacy in the production of all national intelligence, including unambiguous authority to task the various departmental analysis centers to contribute to his national production efforts.
--- Empower either the NCR (Option 1-A) or the PRC(I) (Option 1-E) to set all priorities for the collection and production of National Intelligence and for the management policies for the NFIP.

--- Provide authority to prioritize collection requirements and task collection systems by mechanisms which ensure responsiveness to his direction, and create advisory groups, such as the existing National Foreign Intelligence Board structure, to help him discharge his assigned functions.

While leaving the PRC(I) process fully collegial in character, these kinds of changes to E.O. 11905 would add considerably to its authority in resource allocation and enhance the leading role of the DCI and his Intelligence Community Staff. The scope for disagreement about processes/procedures that in the past detracted from substantive review would be constricted and the principals would be more inclined to concentrate on cross-departmental issues. In the areas of national intelligence production activities, the DCI would rule supreme.

By the same token, such measures would more clearly compromise the present statutory responsibility of departments to manage their own programs and budgets. Within Defense, they would make more difficult a complete cross-Defense rationalization of national, departmental, and tactical programs. None of these measures would in themselves ease the difficult task of finding analytic methods for relating long-term intelligence needs to programs and budgets on a thoroughly cross-program or intelligence-wide basis. Efforts in this direction would be possible and encouraged. But the ease and practicality of dealing directly with the details of sensor-oriented programs under this regime could well continue to distract attention from more comprehensive analysis of the NFIP.

--- Option 2: Enhance Departmental Authority under Collegial Review

This option would modify the status quo (E.O. 11905) by strengthening individual departmental authority in resource allocation through change to the present DCI-White House-DoD-State collegial allocation system (PRC/I). The PRC(I) authority to establish policy priorities for collection and production as well as for management of the NFIP would be terminated. More specifically, this option would:

--- Make clear that PRC(I) decisions are not "fenced" against alteration by departmental or agency authority. This option would also clearly affect responsibility, not for all intelligence, but for the bulk of it currently in the Department of Defense,
in OSD. It would, in effect, give OSD the power to ensure that all items of resource interests were addressed. It would have the responsibility and the associated authority to translate DCI requirements and guidance into concrete financial terms.

-- Stipulate that department heads may determine the means and extent of access by the DCI and his staff to departmental programs with respect to resource issues. This would not preclude the direct access permitted in Option 1, at departmental discretion, but would recognize departmental authority to control it.

-- Give to department heads greater flexibility to determine what program elements are to be included in the NFIP and thus subject to thorough PRC(I) review, with the DCI able to appeal such decisions to the NSC or the President.

-- The PRC(I) would provide for final program and budget review to check departmental staff excesses and to ensure that resources were aligned with DCI requirements. It would be the responsibility of the DCI, as Chairman of the PRC(I), to appeal disputes to the NSC and the President. The IC Staff would have the task of ensuring that Defense, CIA, and non-DoD component budgets were in line with requirements and reliable to DoD's resources.

This regime need not in principle lead to substantially different kinds of interactions than those of the first option, since the process would remain collegial and depend, in both cases, on the cooperation and common purposes of the participants.

It is not immediately obvious that the two options would lead to different resource decisions. It is clear, however, that in the second case the Secretary of Defense, managing the substantial majority of NFIP assets, would find it easier to serve Defense's intelligence interests and to assess all DoD intelligence resources across national, departmental, and tactical areas within Defense, although CIA's capabilities are not necessarily related. The DoD would have a heavier obligation itself to reconcile its views and interests with those of the entire Community. This second option would increase emphasis on the DCI's need for better and more precisely defined requirements in resource relevant terms that would not provide for wide-opened OSD control.

Hopefully, the PRC(I) mechanism might then be encouraged to concentrate its attention on larger and longer-term resource issues spanning
the whole NFIP. Through expert staffing and judicious appeals to the NSC, the DCI could still have considerable influence on departmental program and budget decisions.

Under the second option, however, it is quite possible that the PRC(I) process would dwindle to an essentially toothless advisory role to the departments. On the other hand, the first option has the advantage that all major national intelligence components are reviewed at one point, although it does not confront tactical-national interrelationships. By being in closer proximity to consumers and producers of national intelligence, the first has a better chance of success of initiating the necessary interaction between consumer needs for national intelligence resource demands, relating these to requirements, and assuring that cross-program trade-offs among national capabilities are made explicit.

B. Restructuring Options

The following options scrap the DCI-White House-DoD-State collegial (PRC(I) system entirely. They represent basic structural changes to the Intelligence Community by changing degrees of line, resource, management, and tasking authorities. This course is appropriate if one assumes:

-- Greater centralization of authority and responsibility over the diverse elements of the Intelligence Community is required.

-- That setting forth various means for accomplishing increased centralization while retaining mandatory and responsive service to a broad range of consumers is needed.

-- The present authority of the DCI is inadequate for the responsibilities assigned.

-- The DCI's current control of CIA and of the national tasking mechanism and chairmanship of the collegial resource allocation structure are judged to fail to provide the necessary responsiveness from the Intelligence Community to his direction.

There is a strong consensus that the potential resource savings to be achieved by creating a single comprehensive National intelligence analysis center serving all consumers is more than offset by the inherent danger that differing judgments and perspectives would be suppressed and denied to the users of intelligence. For that reason none of the suggested options include centralization or other significant intrusion on the continued existence of viable competitive centers of analysis.
Option 3: Provide DCI Modified Authority Now Given to PRC(I) for Resource Allocation

This option would give the DCI alone much of the authority now exercised by the PRC(I), would provide for strong DCI leadership over National Requirements, collection and production, as in Option 1, but would permit reprogramming flexibility to the departments of intelligence, similar to Option 2. No other structural changes are involved. This option would be considered if one believes that the DCI should focus on the production of National Intelligence requirements, to the supervision of CIA, and only minor aspects of resource management, permitting more freedom within departments to adjust internal priorities. Specifically:

- DCI authorized for national intelligence collection and production would be as in Option 1.

- Resource allocation authority would be modified to delete the PRC(I)

Assigns the DCI authority to select elements to be included in the NFIP (subject to departmental appeal to NSC) and to review, amend, or veto expenditures which he did not consider appropriate or responsive to national intelligence requirements.

- The resulting NFIP would not be fenced, and departments could make trade-offs against departmental non-intelligence programs, subject to DCI approval to the NSC and the President.

The success or failure of this option in improving the existing mechanisms would depend on the quality and expertise of the DCI's supporting staff and the extent of cooperation provided by the departments. It would restore to the DCI undiluted resource allocation authority over the CIA. As in Option 2, the Secretary of Defense would be responsible to assess trade-offs between national, departmental, and tactical areas, with a heavy obligation to rise above Defense interests, with DCI concentration on larger and longer term cross program issues. This diminution of power, however, as in Option 2, could enable the DCI in an advisory role.

Option 4: Null DCI Authority Over Resource Allocation to National Intelligence Entities

This Option provides substantial additional authority to the DCI over Option 1 by providing for direct resource management control of the National Intelligence Entities as part of the current structure. The reasons to this Option would move the DCI's responsibility for the day-to-day detailed management of elements of CIA, establishing a

[Redacted]
separate new Director of CIA under the general line control of the DCI, who derives his direct support from the IC Staff and NIOs (Option 4A), or establishes DCIA line control under NSC, SECSTATE or SECDEF (Options 4B, C, D) or disband CIA and add CIA's analytical element (DDI) to the DCI's immediate organization, reassigning collection (DD/SET, FBIS, DDI) and other remaining CIA elements to other departments (Option 4E).

If one believes that the principal problems of the community are related to absence of a single focus for resource management, but that other aspects of production and collection are adequate, choosing basic option 4 provides for:

--- Substantially enhanced authority by giving the DCI direct program and budget authority over all elements of the National Foreign Intelligence Program as identified by the NSC.

--- The NFIP would be so restructured to eliminate those elements primarily involved in departmental and tactical intelligence, whose program/budgets would still be subject to DCI review. If department heads disagreed with DCI resource allocation decisions they could appeal to NSC/President.

--- Day-to-day operations of the intelligence elements would continue as presently aligned.

--- Substitution of DCI authority for the existing collegial mechanism to answer Congressional concern about the absence of a single focus for resource allocation.

This option should cause no immediate impact on responsiveness of intelligence elements to their parent departments and would permit early enhancement of the DCI authority without awaiting legislation. While there is no guarantee that the DCI would provide the necessary resources to retain the responsiveness needed by the Secretaries of Defense and State, they could exert influence, if needed, through their NSC role. Further, it intrudes on established statutory Departmental lines of authority and responsibility, which impacts on current Departments' relationships with Congress. New statutory legislation would be needed to eliminate the resultant ambiguity. There could be a tendency to draw a greater degree of the DCI's attention toward the resource allocation function, at some cost to the detailed supervision of CIA and his direct involvement in substantive intelligence matters and role as senior intelligence advisor to the NSC and President.
There is a view that addition of this resource allocation authority alone would not be sufficient to establish a routine which makes all elements of the Intelligence Community satisfactorily responsive to the DCI, and that line authority over at least some of the elements is also necessary.

If one also is concerned over the DCI/CIA relationships, the variations to the basic Option 4 (4A-E) would respond to the arguments of those who see the DCI's line control of CIA as a source of favoritism and a conflict of interest in his role as leader of the Community. These variations, while cited under Option 4, could be applied to any option for which this concern is prevalent. Supervision of the CIA and its Director would be vested in the NSC, SECKSTATE or SECDEF.

Under Options 4A-D the DCI would continue to exercise his major roles as national producer, Community leader, and principal advisor largely through direct access to the President. But the DCI's ability to translate this access into effective community National intelligence production could be weaker than at present because:

- A small national estimates staff would not give the DCI the kind of support in analysis and production now supplied by CIA's DDI. (This problem might be alleviated by assuring the DCI the power to task CIA, DIA, and INR directly in production areas.

The variation to disband CIA (4E) would result in transfer of the analytical element (DDI) to the DCI's immediate family to enhance the direct analytical support lost in the previous variations. Additionally:

- CIA's national technical collection programs in DD/SLT and NPIC would be transferred to DoD, FDIS would be transferred to the State Department.

- The Clandestine Service of DDO would be subordinated to the NSC, State, or Defense.

This option would create a much stronger senior national intelligence authority in the area of production than would previous variations. It would also resolve the "conflict of interest" problem that argues for separation of the DCI from CIA in the collection area and would satisfy the desire of some to see a clear institutional separation of national intelligence analysis and production from collection, particularly clandestine human collection. Very importantly, option 4E would facilitate the interchange between national intelligence producers and the resource allocation process.
The attributes, both favorable and unfavorable of this option, would be:

--- A strong senior national intelligence authority with ability to concentrate on analysis and production, and sufficient influence over collection activities and programs to meet major production needs.

--- A national analytic competence under the DCI that is not institutionally tied to collection could attract more competent and qualified analyst and could improve its ties to academic, business, and foreign sources of information and expertise.

--- Integrating CIA's national technical collection programs with like elements in the DoD would allow for more efficient management of these programs within a single department. Use of reconnaissance satellites for military support would be eased. But some would argue that the sensitivity of these crucial programs to interests outside DoD would necessarily decline under this option.

--- Choosing how to subordinate the Clandestine Service is a serious problem under this option. Subordination under the NSC and the President would replicate the arrangements seen in many advanced countries, but it would raise doubts about the ability of this arm to avoid improper demands in some future period. Subordination of the Clandestine Service to the State Department would facilitate integration of clandestine operations with US foreign policy as seen by this department, and probably encourage efficient trade-offs between covert and overt political reporting. But the US Foreign Service would probably face new difficulties abroad were it more closely affiliated with the Clandestine Service than present cover provisions dictate.

--- DoD control of the Clandestine Service would facilitate balancing its role with that of major technical collection programs, but it could degrade its primary focus on political reporting. In some eyes, DoD subordination could raise the specter of a potential combined military and secret service threat to US political institutions.
Option 5: Enhanced DCI Resource Allocation Authority Plus Line Authority Over National Collection Programs

In addition to broad program and budget control established in Option 4, the DCI would assume line authority (day-to-day operational control) over the National Security Agency (NSA) and the Air Force, and Navy Special Collection Programs (AFSP, NSP), with SECDEF providing requisite support from DoD assets at DCI request. Variations of this option would separate the DCI from CIA as in Options 4A-E, with relatively similar impact (Options 5A-E).

If a very strong DCI is desirable, this option would develop the requisite loyalties to the DCI which would ensure that the national collectors concentrate on DCI problems, and it permits holding the DCI accountable to ensure the Community is properly responsive to all users.

The pros and cons of this option are that:

--- Responsiveness to the DCI is virtually guaranteed

--- There is singular accountability through a rigorous balancing of responsibilities and authorities, however this could conflict with the need for effective mechanism for interagency coordination and cooperation.

--- There is potential for savings through DCI total responsibility, resource and line, over National systems.

--- Problem areas introduced by this option include how the unity of the existing U.S. SIGINT system could be maintained (presuming the Service Cryptologic Agencies remain in Defense), and how sufficient responsiveness can be assured in crisis and war to the command responsibilities of the Secretary of Defense and the field commanders.

--- National collection assets are essential to the conduct of military operations, and their effectiveness in combat support is almost directly proportional to the extent they are integrated into the military command and control system at all echelons; and

--- The national assets themselves are critically dependent on Defense-operated support activities, and efficient integration of intelligence collection with support activities can best be accomplished within Defense.
It is debatable whether the DCI needs line authority over submarines, airplanes, space launch and satellite control facilities in order to produce quality intelligence for the President and the National Security Council. Some argue that it makes more sense to have both the intelligence collection facilities and their support facilities operated by SECDEF as a "service of common concern," just as the DCI operates the clandestine services or provides National Intelligence.

**Option 6:** Complete Restructure Intelligence Community (except Departmental analysis and other Departments' Intelligence activities) under line authority of a DFI.

This option would be favored by those who not only support Option 5 for its singularity of responsibility, but also feel that greater emphasis should be placed on management by functional lines. While there are many variants of this approach, two are described to portray the concept.

Under **Option 6A**, assisted by three Deputies (for National Intelligence Production, Resource Allocation, and Collection), the Director of Foreign Intelligence (DFI):

- Tasks, allocates resources and operates an Intelligence Analysis and production agency (NIPA) composed of present NIOs and CIA/DDI, a Clandestine Services Collection/Operations Agency (CIA) composed of present CIA/DLO and supporting elements of DD/STT; a unified SIGINT Collection Agency (present NSA); an Intelligence Space Support Systems Agency (ISSS) (composed of present AFSP and supporting elements of DD/STT); and provision would be made to integrate the Navy's special reconnaissance activities.

- Retains resource allocation and tasking authority over DoD intelligence elements identified as part of the National Foreign Intelligence Program, and reviews other intelligence elements.

- DFI is responsive to SEC DEF needs for timely support from all his elements in crisis and war.

This option places greater emphasis on management by functional lines, stressing continued diversity in analysis by maintaining separate centers while concentrating on reducing redundancy in collection regimes. The ability of the staff supporting the DCI would be critical in ensuring that this greatly centralized structure was properly responsive to the needs of the Departments.
If one concludes that a DCI with this degree of centralized authority should become subject to accountability to a "Board of Directors" the following variant could be applied. The DCI presents his management, program, and budget to the NSC Special Coordination Committee with issues as is done today by individual program managers to the PRC(I), but at a more "macro" level, with the SCC reviewing, guiding and approving. This variant is a possibility, of course, for any restructuring option. In any case, there is the potential for Congressional and media concerns about the absence of checks and balances without such a variant.

For Option 6B, in addition to those elements assigned in Option 6A, those elements remaining in DoD which substantially contribute to National Intelligence collection would be integrated into DFI agencies. NIPA would still consist of NIOs and CIA/DDI, and provide a national intelligence database accessible to all consumers. Army and Air Force HUMINT activity would be integrated with CIA. SECDEF would manage the Defense Attaché System and DFI directives.

This option maximizes efficient use of resources with heavy emphasis on management along functional lines and absence of duplication. But one man's duplication is another's insurance. The SCC variant applies equally to this option.

Option 7: Separate substantive national intelligence and resource allocation functions, assigning former to DCI and latter to SECDEF.

This option retains present institutional structure and subordination, vests the responsibility for setting requirements and priorities, and production of National Intelligence with the DCI, and holds the SECDEF responsible for resource management of the NFIP, with review by the NSC Special Coordination Committee. This option would be appealing to those who see the need for "creative tension," to focus sharp definition and thorough examination of programmatic issues. Specifically, this option will provide for:

-- Secretary of Defence review and integration of all NFIP program elements into a consolidated program in response to requirements and priorities as set by the DCI.

-- Retention of the present Community organizational structure

-- The DCI as the head of CIA, the producer of national intelligence, and the President's principal advisor on national foreign intelligence.

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DCI Community leadership roles in the areas of production and collection requirements and priorities development.

Secretary of Defense management of the process of allocating resources among NFIP elements as a "service of common concern" for the NSC and the DCI. It would be his responsibility to fit the non-defense intelligence elements of the NFIP into a rational whole, 80 percent of which is now in Defense; he would therefore review the intelligence programs of CIA, INR, ERDA, Treasury, and FBI and integrate them with his own in terms of resource trade-offs (alternatively, the latter four could be removed from the NFIP).

This option would alter little in the affairs of today's Intelligence Community except the programming and budgeting of resources. In this area it could create or allow for varied management situations.

Insofar as the DCI issued precise requirements and priority guidance to the Secretary of Defense as NFIP "program manager" or coordinator, the DCI would have considerable influence over the entire resulting program. The Secretary of Defense would then be essentially free to reconcile the guidance of the DCI on national needs with the needs of DoD and tactical commanders that affect most intelligence programs.

It would be the responsibility of the Secretary of Defense to conduct thorough analyses on how best to balance resources among national and other DoD intelligence efforts, to build, and to defend the resulting program. The DCI would concentrate on the needs of production and the demands of clandestine operations. The DCI would maintain sufficient staff support to assure some knowledgeability as to major programmatic choices. The Secretary of Defense would present the program and budget to the SCC as described in the variant to Option 5 for review and approval.

The situation described above could provide for fairly tight and orderly management of national intelligence resources. It is, however, not devoid of potential for tension between the DCI and DoD; among men of good will, this could be "creative tension" conducive to sharp definition and thorough examination of programmatic issues.

This option could lead to another situation, however. In order to minimize strife, the DCI and the Secretary of Defense might respectively take a fairly relaxed view of the programs not directly subordinate to them. The DCI might tend to accept DoD-run programs with a minimum of scrutiny so long as they seemed to meet his needs. The Secretary of Defense might choose to accept the CIA and other programs with only perfunctory review. This would return the...
matter of Community resource management essentially to the conditions of the mid-1960s. Much would therefore depend on the rigor which the Secretary of Defense applied to program review across the board and the care with which the SCC and DCI monitored and critiqued the DoD role.

**Option 8: Centralize all NFIP activity under SECDEF**

This option provides the DCI with essentially all of the powers of Option 5, but under the SECDEF. If one views intelligence as a service of common concern which could be adequately provided by the Secretary of Defense, then this option could be considered. In this option:

--- DCI serves as DEPSECDEF/Intel with direct access to the President and other members of the NSC, operating all elements of the NFIP under direct President--SECDEF--DSD/DCI line and resource authority.

--- CIA could continue to exist as a separate agency reporting to DSD/DCI as would DIA, NSA, etc.

--- Some restructuring of existing agencies along functional lines could occur.

This option does not retain the degree of production federalism stressed in previous options, and would undoubtedly raise fears in the media and Congress that the military had "taken over" the national intelligence structure. This could be somewhat offset by shifting some of the existing CIA/DDI analytical capability to State (INR) and concentrating on two competing analytical centers.
IV. Other Solutions

Organizational changes may resolve some of the problems associated with the management and operation of the Intelligence Community but there are other important problems that will be virtually unaffected by structural change. Irrespective of the decisions on Intelligence Community reorganization, the perennial problems identified below require sustained and creative attention by intelligence managers acting in response to NSC general directives and their progress should be reflected in periodic reports to the President.

A. Producer/Consumer Relationships

More effective measures must be devised to ensure that analytical intelligence products meet the requirements and priorities of intelligence consumers at all levels. Consumers as well as producers of intelligence bear this responsibility. A mechanism to ensure explicit and disciplined positive input and review from consumers on a periodic basis should be established. Consumers with special problems must have effective ways of relating to the Intelligence Community. For instance, organizations such as ACDA, with its increasingly important and unique requirements for verification of agreements, and the Drug Enforcement Administration, with responsibilities for intelligence related to illicit traffic of drugs, should have more effective ways to communicate with the Intelligence Community.

B. Analytical Versatility

A stronger and more versatile national intelligence analytic capability is necessary to fill the serious gaps in anticipatory analysis and to produce improved longer term estimates. High quality national intelligence inputs into the Presidential Review Process should be emphasized. Management initiatives, including innovative personnel practices and plans, advances through research in forecasting and methodology, quality control and improved product evaluation, are all required.

C. Communications and Reporting

While planners and analysts face a shortfall of facts and timely recipient of all relevant information, policymakers are swamped with a plethora of intelligence reports. Measures should be taken to:

-- Assure that departmental barriers to the free flow of relevant data are removed, including compartmented, "NODIS" and "SPECAT" information.
D. Collection Tasking

The inability of the requirements process to orchestrate intelligence collection in a timely and responsive manner across the basic collection disciplines must be resolved. An effective mechanism which synergistically applies all relevant collection resources to the intelligence targeting problems should be created.

E. Crisis and War

A mechanism must be developed and implemented to assure that national intelligence collection management can effectively transition from peace through crisis to war. The long debate about this problem should end and action begin. The NSC should review and approve one of the following basic approaches:

1. In wartime, the Secretary of Defense should manage the collection requirements systems for all assets that can support military operations.

2. The DCI should manage these systems as a service to the military command hierarchy, taking his requirements from the latter.

3. Management of some critical assets should be transferred to Defense, depending on the system and the conflict scenario.

As noted in the DCI's Part II report on PRM/NSC-11, while any of these approaches could work, it is unlikely that any of them would work well until we establish in greater detail what national intelligence collection management really means in a wartime context and build working mechanisms appropriate to that understanding.

F. Relating Requirements to Resources

Collection: The Intelligence Community must develop and implement a "calculus" that more explicitly ties together the basic system-independent intelligence requirements, (e.g., KIQs, DCI Perspectives) to the more detailed system-oriented collection requirements and associated costs in a manner that permits more rational trade-offs among intelligence collection approaches on the basis of incremental value.
**Cross Program Issues:** There is also a need to establish cross-cutting review mechanisms to assess the marginal gain of resource variations between and amongst collection, processing and production disciplines. This is necessary to answer such basic questions such as: "Is the macro balance appropriate among the three?; Is there proper resource emphasis on political or economic vs. military questions?; How can we improve intelligence reporting on Africa?"

**Performance Measurement/Evaluation:** Significant gaps in our ability to assess the utility of various resource allocation strategies exist because collection and production have no "grade card" which associates performance or projected performance against basic consumer needs. Effective means must be developed which facilitate objective measurement relatable to the resource management process. These same, or similar means must be applied to measure and influence the effectiveness of tasking of resources.

G. **Defense Intelligence Management**

Prior to the Presidential Directive of 1971 and the subsequent consolidation of Defense intelligence, no one was clearly in charge of the Defense intelligence effort; key elements neither cooperated effectively or were under suitable lines of authority to permit efficient trade-offs and long-term planning on a Defense-wide basis. Regardless of structural options considered, effective mechanisms must be established within the Defense Intelligence Community to assure effective and efficient integration into the national intelligence community.

H. **National/Tactical**

The failure of the CFI to come to grips with the charge to define what is and is not to be included in the NFIP can no longer be accepted. A thorough-going review with specific recommendations to the NSC, and to be implemented in the FY-79 budget submission for the NFIP, should be conducted.

I. **Relationship between NFIP and Intelligence-Related Activities of the Departments and Agencies**

In order to minimize duplication and maximize mutual support, substantive mechanisms should be established to assure a more systematic relationship between national intelligence programs and so-called intelligence-related activities.

J. **Public Trust and Confidence and Value of Confidential Service**

Resolving the issues secrecy raises in our open society requires a fresh analysis of what aspects of intelligence actually require protection,
review of the concepts involved and careful examination of the kind of legislation needed. Oversight institutions must be institutionalized.

K. **Covert Action**

The present institutions for review of and procedures for control of covert action programs should be maintained, and perhaps put into statute. More attention should be given to developing a doctrine for covert action which reflects both the experiences of the past and the realities of the present.

L. **Counterintelligence**

It was noted in Section II that there is no national policy and no policy-level forum for foreign counterintelligence. Moreover, there is no comprehensive understanding of counterintelligence issues at the policy level. Counterintelligence is acknowledged as a major intelligence discipline, but even in intelligence circles it is only rarely discussed. Annex A to this report recommends the assignment of responsibility for development, coordination and oversight of national counterintelligence policy to the NSC's Special Coordination Committee (SCC/Ci) chaired by the Assistant to the President for National Security Affairs.
Recommendation on Foreign Counterintelligence

It was noted in Section II that there is no national policy and no policy-level forum for foreign counterintelligence. Moreover, there is no comprehensive understanding of counterintelligence issues at the policy level. Counterintelligence is acknowledged as a major intelligence discipline, but even in intelligence circles it is only rarely discussed.

Senior officials have to deal with counterintelligence flaps -- spies that have been caught, double agents that have disappeared -- but, except for sporadic directives, such as the President's recent instruction to the FBI to focus on anti-Castro terrorist groups, counterintelligence priorities and the allocation of resources have been left to the individual agencies. There has been no policy-level forum in which to weigh the level of effort against the seriousness of the threat, to examine the implications of "friendly" intelligence service activities in the U.S., or to resolve conflicting policy considerations which allow identified Soviet and other hostile intelligence officers to enter and travel in the U.S. For the U.S. to effectively deal with foreign espionage, sabotage, covert action and terrorism requires an informed body of senior officials which will examine and come to understand the activity generically, and thus be in a position to develop national foreign counterintelligence policy objectives, oversee their implementation and assess their effectiveness.

Establishment of a Special Coordination Committee (Counterintelligence)

It is recommended that the NSC Special Coordination Committee assume responsibility for development and coordination of national counterintelligence policy. The SCC(CI) would be responsible for:

--- formulation and review of foreign counterintelligence policy and objectives, oversight of their implementation and examination of their effectiveness;

--- coordination of the interface between counterintelligence and foreign and domestic policy issues;

--- exercise of national-level oversight for sensitive counterintelligence activities;

The Committee should be supported by a small, dedicated element of the NSC staff.
Definition and Jurisdiction

As a first order of business the SCC(CI) should seek agreement on a definition of counterintelligence and on the activities which will fall under its responsibility. Some outstanding questions are:

-- Does counterintelligence include terrorism?

-- Should communications security and foreign-directed signals intelligence operations come under the counterintelligence umbrella?

-- Deception is a neglected, but potentially valuable counterintelligence technique. While there are some low-level deception operations, its effective use as a national instrument requires policy-level consideration. Should the formulation of deception policy and the oversight of deception operations be a responsibility of the SCC(CI)?

-- Standards and practices with respect to personnel, document and physical security vary as between agencies and departments. Lapses in these procedures have resulted in the compromise of highly classified information. While the Intelligence Community prefers to deal with "security" programs separately, they are aimed at protecting the U.S. from hostile intelligence activities, and there is rationale for placing them, in some manner, under the jurisdiction of the SCC(CI).

Membership of the Committee

The membership of the SCC(CI) should include the FBI, CIA, Department of Defense, Department of Justice, Department of State and the Assistant to the President for National Security Affairs. The FBI, CIA and Department of Defense because they are action agencies for counterintelligence; the Department of Justice because in the U.S. there is an organic relationship between law enforcement and counterintelligence and because the experience of the former OAG and the SCC(I) demonstrates the advisability of intelligence committees having a legal representative present; the Department of State because of the required coordination on counterintelligence overseas (NSCID-5, paragraph 6) and the necessity for coordination on certain cases in the U.S.

Chairmanship of the Committee

Presidential Directive No. 2 established the Assistant to the President for National Security Affairs as Chairman of the SCC.
Because they are not sufficiently independent, and have operational responsibilities, both the DCI (because he is also the Director of CIA) and the Director of the FBI are ruled out as potential chairmen in any event. The Senate Intelligence Committee and the IC Staff have in the past recommended the Attorney General as chairman for any interagency committee on counterintelligence. In favor of this option is the respect accorded the Attorney General by both the intelligence community and those who fear possible abuses. Attorney General chairmanship in the eyes of the public would assure that counterintelligence activities and policy would be lawful and proper. On the other hand, the Attorney General's supervisory responsibility for the FBI (the Government's primary counterintelligence agency) is somewhat analogous to the DCI's responsibility for the CIA. As the chief law enforcement officer of the Government, the Attorney General's oversight role with respect to intelligence activities and FBI guidelines could appear to be compromised if he were to assume the chairmanship of a policy committee dedicated to efficient and effective counterintelligence. Finally, there is no existing natural independent staff support available to him in the role of chairman.

Chairmanship by the Assistant to the President for National Security Affairs would substantially fulfill the criteria of prestige and independence. While this position has no line authority, the close relationship to the President and the unique role of the NSC would enable the Assistant to command the requisite authority when necessary. Chairmanship by the Assistant would naturally suggest staff support for the SCC(CI) from the NSC staff, and would assure that the staff was independent of individual agencies. On the other hand, because of the Assistant's wide-ranging responsibility for national security, his chairmanship might not bring with it the same public reassurance as would the chairmanship of the Attorney General.

Chairmanship by an independent DCI with community-wide responsibilities would seem logical and he would have both the expertise and staff support required. It would mean, however, that for the first time the DCI would be given a certain measure of responsibility for domestic secret intelligence activity and this would require legislation. Such legislation at this time would be difficult and would inevitably give rise to public apprehension.
**UNCLASSIFIED**

**WHITE HOUSE DOCUMENT**
Department of State
Executive Secretariat

**S/S** 77/4327

**Date** 1/4/77

**ACTION TO:** INR

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**Action Requested:**

- Memorandum for the President
- Borg/Brzezinski Memorandum
- Bureau Handling
- Other - prepare remarks for the Secretary's June 8 meeting

**Due Date in S/S:** June 6 - COB

**Authorized by:**

[Signature]

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