S. HRG. 102-1052

S. 2198 AND S. 421 TO REORGANIZE THE UNITED STATES INTELLIGENCE COMMUNITY

APR 1 1993

JOINT HEARING

BEFORE THE

SELECT COMMITTEE ON INTELLIGENCE

OF THE

UNITED STATES SENATE

AND

PERMANENT SELECT COMMITTEE ON INTELLIGENCE

OF THE

HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

SECOND SESSION

WEDNESDAY, APRIL 1, 1992

Printed for the use of the Select Committee on Intelligence of the United States Senate and Permanent Select Committee on Intelligence of the House of Representatives

U.S. GOVERNMENT PRINTING OFFICE

64-000 WASHINGTON : 1993

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-040272-7

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JOINT HEARING ON S. 2198 AND S. 421

WEDNESDAY, APRIL 1, 1992

SENATE SELECT COMMITTEE ON INTELLIGENCE,
HOUSE PERMANENT SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC.

The joint hearing convened, pursuant to notice, at 2:08 p.m., in room SH-219, Hart Senate Office Building, the Honorable David L. Boren (chairman of the Senate Select Committee on Intelligence) presiding.

Present from the Senate: Senators Boren, Bradley, Cranston, Metzenbaum, Kerrey, Murkowski, Warner, D'Amato, Danforth, Rudman, Gorton and Chafee.

Present from the House: Representatives McCurdy, Kennelly, Dicks, Shuster, Dornan and Gekas.

Senate Select Committee on Intelligence Staff: George Tenet, Staff Director; John Moseman, Minority Staff Director; Britt Snider, Chief Counsel; Kathleen McGhee, Chief Clerk; and Regina Genton, Marvin Ott, Fred Ward, Naomi Baum, Tim Carlsgaard, Bobby Cater, Claudia Daley, John Despres, Pete Dorn, John Elliff, Dave Garman, Art Grant, David Halperin, Pat Hanback, Michael Hathaway, Judith Hodgson, Sarah Holmes, Edward Levine, Eric Liu, Karen Lydon, James Martin, Chris Mellon, Zach Messitte, Don Mitchell, Andre Pearson, Joan Piermarini, Terry Ryan, Jennifer Sims, Gary Sojka, Chris Straub, Mary Sturtevant, Tawanda Sullivan, Tracey Summers, Blythe Thomas, James Van Cook, James Wolfe and Sheryl Wood, Staff Members.

House Permanent Select Committee on Intelligence Staff: John Keliher, Staff Director; Michael Sheehy, Chief Counsel; Thomas Smeeton, Minority Counsel; Jeanne McNally, Chief Clerk; and Virginia Callis, Larry Cox, Diane Dornan, Robert Fitch, William Fleshman, Richard Giza, Alex Gliksman, Christine Healey, Calvin Humphrey, Kenneth Kodama, Stephen Nelson, Ross Newland, Lawrence Prior, Paul Scalingi, Margaret Sullivan, Sharon Curcio, Michael O'Neil, Catherine Eberwein, Delores Jackson, Karen Schindler, Judith Wynne, Merritt Clark and Mary Jane Maguire, Staff Members.

Chairman BOREN. It is a pleasure to open this very important meeting which in many ways is an historic meeting. I am told that for the first time in its history, the Senate Intelligence Committee meets today in a joint public session with the Members of the Permanent Select Committee on Intelligence from the House. This is a first in the sixteen years the Committees have been in existence. We welcome our House colleagues here.

We were very pleased that the House Committee responded favorably to our invitation to hold this joint meeting together. We value the working relationship that exists between these two Committees and especially at this moment in our history, with the world literally turned upside down, so much change around us, and as we examine the ways to appropriately change the Intelligence Community to better accomplish our mission. I think this kind of partnership between the two Committees represented today and the kind of partnership between these two Committees and the Executive branch of government represented by our witness today, the Director of Central Intelligence is extremely important.

If we are going to have the right solutions, they can only come from that kind of partnership and that kind of cooperation. Bipartisan cooperation within the Congress itself, a bipartisan solution, and then a real partnership, a working partnership and relationship between the Congress and the Executive branch to get the job done.

So we all especially welcome this kind of opportunity to bring us together to discuss the important topic on our agenda today.

Over the last 6 weeks, both Committees have been engaged in hearings on the legislation introduced in each House to restructure the Intelligence Community, jointly introduced by the distinguished Chairman of the House Committee, Congressman McCurdy and myself.

As the time of the introduction of this legislation, we both believed that the end of the Cold War provided a unique opportunity to reevaluate the structure of US intelligence. Our legislation was based on a number of sound and important principles. Namely there should be clear lines of accountability. We should wherever possible, eliminate duplication. Cost effectiveness in the current budgetary climate is absolutely essential. The independence of analysis and broad based analysis is crucial for a changed world environment. Enhanced support to unified and specific commanders in time of crisis by the national Intelligence Community is also essential. If we are ill-prepared for crisis, billions of dollars spent on peacetime intelligence is of little value.

Basically, our goal is to provide a better intelligence product at a lower cost. While we can not legislate excellence or leadership, it was our hope that the principles and some of the structural changes we proposed would in some way contribute to attracting the nation's best and brightest in a renewed commitment to help our nation face the challenges of this post-Cold War period.

The legislation created a great deal of creative tension which was exactly our hope. Our hope was that it would launch a meaningful interchange of views and I think in that regard, we have succeeded. There has been no shortage of reaction to the proposal which Congressman McCurdy and I introduced in our respective Houses.

But I think there has been a very creative and a very constructive response. Some would say and I believe that, to some extent, the boldness of our proposals provided the Director, who is our witness today, with an opportunity to challenge those involved in the Community's own internal review of intelligence to be more open and innovative and to avoid the temptation of rigid bureaucracies to resist real change.

So I believe that this has been a dialogue that has contributed to the candor and the boldness of the internal study as well.

The purpose of today's hearing is to have the Director of Central Intelligence respond to the issues and problem areas which prompted the legislation and sepcifically to suggest the structural changes he believes are required to create better accountability and a higher quality intelligence product.

So, as I said at the start of our process, we recognize that legislation may not be needed in all areas to address many of our concerns. The Executive branch certainly has the authority and the capability to deal with many of them should it choose to do so.

And, indeed, if the Administration could demonstrate that these concerns can be dealt with effectively without legislation, or at least with less legislation, I would certainly be inclined to listen to the Administration and to follow that course of action.

Still it seems to me that there may be an opportunity to legislate in ways that might strengthen the Intelligence Community without limiting the flexibility of its effectiveness.

The law that provides the basic legal underpinning for intelligence is now 46 years old. It is vague, and it hardly reflects the reality of today's Intelligence Community. So I would encourage the Director and others in the Executive branch and the Administration to keep an open mind on this particular subject. One can question whether legislation is required to effectuate change. At the same time, we must evaluate the desirability of an affirmative mandate from the Congress for the conduct of these activities.

So I think, as we listen to the recommendations today from the Executive branch, we should begin to move on to the second phase of our deliberation. And that is to reflect upon which of these changes can appropriately be made unilaterally by the Executive branch and which could appropriately require legislation in order to make sure that they are permanent in instances where they should be made permanent. What kind of legislation would be required to assure that we do not micromanage to the point that we would prohibit the flexibility necessary. Because we know that any changes are to some degree experimental, we always want to have the flexibility to make mid-course corrections and changes as we go along and have experience under new structures. So anything we legislate I think has to bear that goal—flexibility—very much in mind leaving an appropriate amount of discretion to the Executive branch.

Each Committee will hold its own closed session to follow this hearing with the Senate Committee convening immediately after the open session this afternoon and the House Committee convening next week to continue to pursue with the Director certain elements of reorganization which are classified and cannot be discussed in open session.

And, of course, each Committee will reserve the right to follow-up with such additional hearings or questions for the record that it may choose.

Finally, let me provide just a little bit of background on the process that has evolved. Last November, the President signed National Security Review Directive 29, calling for a comprehensive review by the Executive branch of its future requirements for the Intelli-

gence Community. Based upon this analysis, it was envisioned that the Administration would develop its own recommendations for organizational change.

The requirement for review called for by NSR-29 has now been completed and, consequently, the Director of Central Intelligence chartered a series of task forces internally in the Intelligence Community to address overall operation and organizational issues both within the CIA and also within the broader Intelligence Community. The reports of these task forces have now been completed and Director Gates has acted upon some of them.

Copies of these reports have been forwarded and provided to the Oversight Committees together with the Director's decisions on their recommendations. And I anticipate that Director Gates will describe these actions for us this afternoon.

Before turning to my colleagues, I want to take this opportunity to commend the Director personally for instituting and carrying through this process. In my view it has been extremely valuable. It has aired many issues that needed to be aired. And on the whole, I think it has produced a series of very good recommendations for change. I can recall no DCI who has taken on so many critical areas with such impressive results so expeditiously or at such an early stage in his tenure. It is a very impressive beginning.

I am especially pleased that the Director has already reacted to several of the proposals made by this Committee in the course of his confirmation hearings—indeed in this very room where the confirmation hearings were conducted. We welcome the Director back under other circumstances to this particular room to share his thoughts with us.

I am especially pleased he has acted to establish a process to make the CIA more open and accountable by releasing historic documents. I also commend him for his action to establish a program to make sure that any illegal activities discovered by the CIA in the course of its own investigations in intelligence collection will be reported forthwith to appropriate law enforcement agencies. These are important steps and were among the issues that arose during the confirmation process.

Again, we are very pleased to have the Members of the House Committee join us including the distinguished Chairman and the Vice Chairman for this special occasion. I am very pleased to call on my colleague now, the Chairman of the House Committee, Congressman McCurdy, to make his opening remarks.

Representative McCurdy. Thank you, Senator Boren.

Congressional Intelligence Committees rarely hold open sessions and they have never before conducted a joint hearing. For this historic first joint session also to be an open one is indicative of the importance we attach to the substance of the issues which will be discussed today.

In our belief that those issues should be debated publicly to the maximum extent possible, I am delighted to join my colleague from Oklahoma in this joint hearing with the rest of the House and Senate Committees.

And I commend our witness for his willingness to discuss this vital issue in open session.

We have been looking forward to the report you will provide today since last fall when President Bush ordered National Security Review 29 and you commissioned task forces to examine the operation and structure of the Intelligence Community.

In the interim, as you know, Senator Boren and I introduced legislation to clarify the lines of authority and accountability within the Community.

Our hearings on those bills may not have produced consensus on all the specific types of change necessary to produce those results, but there has been widespread agreement that significant change is needed and is coming.

In the preparation of our legislation and in our hearings we have of course been aware of both the NSR–29 process and your task forces.

I want to commend the President for authorizing the survey of the requirements of intelligence consumers through NSR-29, and you, Mr. Director for the speed with which you have moved to solicit recommendations as to how the Intelligence Community could better perform its important work.

I have viewed the Legislative and Executive branch efforts as supportive rather than exclusive and I look forward to continuing to work with you to achieve what we all want, and that is an Intelligence Community that is able to effectively and efficiently satisfy the information needs of policymakers in the post-Cold War world.

At its outset, you characterized this examination as an effort to accelerate the process of change and to move boldly toward a very different shape for the Intelligence Community. That is the standard against which I intend to evaluate what you propose today.

I believe your recommendations must be seen as being bold and as representing a substantial change for the better in the terms of the way the intelligence agencies conduct their activities and relate to one another. Times have changed, both fiscally and geopolitically. And the components of our national security establishment must reflect those changes.

While the Intelligence Community is not a monolith, and the differing needs of consumers of intelligence must be acknowledged, the days when collection, production or dissemination systems could be duplicated merely to satisfy the institutional preferences of a particular department or agency are gone.

I am interested in the ways in which the requirements identified through the NSR-29 process are reflected in your recommendations. In that regard, it is essential that we review the product of NSR-29 and we expect that it will be furnished to the Committee shortly.

I am also interested in how your recommendations relate to the modified budget request for FY93 which you will discuss with the House Committee on April the 7th. I understand that that budget calls for spending the same amount on intelligence and related activities as was requested by the President in January, although in different ways.

The total requested represents growth over the amount appropriated last year.

As I am sure you know, both the Senate and House Armed Services Committees are going to be taking deeper cuts in the defense

budget than sought by the President. These decisions clearly signal a constriction of resources and it will be important to be able to demonstrate to our colleagues on those Committees that efficiencies can be produced in the intelligence budget as well. In that regard, we will be carefully examining your request to make sure it does not seek to preserve programs or systems which can no longer be justified on the basis of mission or cost.

When you provided the House Committee with a progress report on the task forces, you indicated that your goal was to create structures that can survive individuals. That is a goal which I share, and I believe it is embodied in the bills which the Committees have been considering.

I hope that through today's hearing, and those which will follow, we can agree on the problems which need to be addressed in the Intelligence Community and on a response to them which is institutionally based rather than personality driven.

I thank the gentleman, and yield back my time.

Chairman BOREN. Thank you very much, Chairman McCurdy. We are very, very happy to have you and your colleagues with us today.

As I have indicated, any constructive result that comes from our deliberations with the Congress and the Executive branch must be one that is bipartisan and represents a true consensus. We are very proud of the kind of consensus that we have been able to reach on the most sensitive national security issues of the last several years. And certainly a valuable part of that process on the Senate side has been the work of our Vice Chairman, Senator Murkowski from Alaska. I would call upon him now for his opening comments.

Senator MURKOWSKI. Thank you very much Mr. Chairman. I have been handed——

Senator BRADLEY. Mr. Chairman, Mr. Chairman, may I simply be recorded in favor of Admiral Studeman?

Chairman BOREN. Yes, the record will reflect that.

Are there any others? Senator Gorton? Senator Danforth?

Senator DANFORTH. Yes, Mr. Chairman.

Chairman BOREN. Aye in both cases?

Senator DANFORTH. Yes.

Senator GORTON. Yes.

Chairman BOREN. And Senator Metzenbaum has already been recorded. Thank you very much.

Senator MURKOWSKI. Mr. Chairman, I have been handed a note from the staff and it's classified, but in the interest of full disclosure, I am told it is only by coincidence that this historic meeting between the House and Senate Intelligence Committee occurred on this unique day, April 1st. Perhaps the record should note.

Let me join with the Chairman in welcoming you Mr. Gates before this Committee once again. This seems to be, I won't say your lucky room, but it certainly is a room that we all spent a great deal of time during your confirmation process. And those of us who strongly supported your confirmation did so in the belief that important and even watershed changes would be required in the Intelligence Community.

We believe that, one, Robert Gates combines the toughness of mind and the depth of experience to make the needed changes. We

have not been disappointed. I think it is fair to note that in less than 6 months time as DCI, Mr. Gates has set in motion the most profound set of reforms in US intelligence in some 20 years, and I commended you for that action and that commitment.

First of all of course you persuaded our President to issue a National Security Review memorandum directing the various agencies of the Federal government to identify their priorities in the intelligence area. Then you took upon yourself to appoint 14 task forces within the Community to look at everything from politicizing of intelligence to support for military operations. And drawing upon those task force reports, Mr. Gates, you have initiated a long and impressive list of changes, which I am sure you are prepared to detail for this Committee today.

These reforms include changes in the way the Community is managed, in intelligence analysis and production, and the intelligence Community's communication with the broader public. You have been very vocal, very outspoken and very visible, and I commend you.

I am further encouraged by the President's selection of a strong Deputy Director of Central Intelligence, William Studeman. As a military officer with a strong background in the technical and scientific disciplines, Admiral Studeman perfectly compliments you, Mr. Gates.

I think this Committee can take some credit for having provided an impetus and an atmosphere for the new reforms. Because that process is now so far advanced, I believe the need for major legislative initiative has lessened dramatically. But I know Mr. Gates has identified areas where he feels legislation is needed. In my view, this Committee should concentrate its efforts specifically in those areas.

The Chairman has devoted much effort and thought to intelligence reorganization and I intend to continue to work closely with him in developing a bipartisan bill that this Committee can take through the legislative process and that the President can willingly sign.

At the time when the Congress and the Executive are criticized as being unable to work productively together, I think we can demonstrate an ability to do just that as far as intelligence reorganization is concerned.

I welcome you to the hearing, Mr. Gates.

Chairman BOREN. Thank you very much, Senator Murkowski. And now I want to turn to the Vice Chairman of the House Committee. He is a person with whom we have had the opportunity to work for a number of years on intelligence and other legislative issues and a person for whom we have great respect on this side of the Capitol.

I would like to call on him at this time for his opening comments, Vice Chairman Shuster.

Representative SHUSTER. Thank you very much, Mr. Chairman.

First I would like to commend both you and Chairman McCurdy for initiating this debate on reorganizing intelligence. I would also like to commend you for putting together this historic joint meeting. In fact it is such a good idea that perhaps it will provide some

impetus for us creating a Joint Committee, which some of us have long espoused.

During our hearings in the House, a series of so-called wise men came before us—men experienced in the Intelligence Community to give us their ideas and thoughts. During the course of that, Frank Carlucci noted in his testimony that intelligence in this new world order—or perhaps more accurately, new world disorder—is more important and more complex than ever. Indeed, the emerging characteristic of the post-Cold War era seems to be unpredictability. In this context it seems to me, Mr. Chairman, that any future intelligence structure must have the virtue of flexibility.

Another one of our wise men quoted Tallyrand, who said that it is urgent to wait. I think that may well be good advice as we look at the uncertain future before us today.

I am confident that Mr. Gates' testimony will be responsive to Congressional concerns, and I commend both our Chairmen for creating this opportunity.

I know these committees are going to watch very carefully, also, Secretary Cheney's conduct of his reorganization, particularly because of the cost-free support the Intelligence Community receives from the military. And moreover, I know we are going to follow very closely Director Gates' implementation of his task force's recommendations.

Mr. Chairman, a subject near and dear to my heart is the secrecy of the Intelligence Community budget. I believe it should indeed remain secret and buried within the Department of Defense budget figure.

Let me close with one of my favorite intelligence-related quotations that supports this position on secrecy regarding our intelligence budget future. "The necessity of procuring good intelligence is apparent and need not be further urged. All that remains for me to add is that you keep the whole matter as secret as possible, for upon secrecy, success depends in most enterprises of this kind. And for want of it, they are generally defeated, however well planned and promising a favorable issue," end of quote, written in 1777 by General George Washington, the nation's first intelligence officer.

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Congressman Shuster. I turn now to members of both Committees who are present for any opening remarks they might like to make. Senator Chafee?

Senator CHAFEE. No, Mr. Chairman, noting the make-up of the leadership here, I'd say let's get to this sooner, rather than later. [General laughter.]

Chairman BOREN. Thank you very much Senator Chafee. Congressman Dicks?

Representative DICKS. I agree.

Chairman BOREN. Are there others on either side of the aisle who wish to make opening comments? Senator Cranston?

Senator CRANSTON. I'll restrain myself also.

Chairman BOREN. Congressman Gekas?

Representative GEKAS. Thank you, Mr. Chairman. The only item I want to add is my personal appreciation for the arrangements that both Chairmen made for this meeting, the joint meeting to which the gentleman from Pennsylvania alluded, an historic first,

and for also bringing in front of us those wise men from whom we derived a great deal of preliminary and historic knowledge to prepare us for the testimony of our Director.

I thank the Chair.

Chairman BOREN. Thank you very much, Congressman Gekas.

Senator Warner, any opening comments?

Senator WARNER. Thank you Mr. Chairman. During the course of my question period, I will solicit from the distinguished Director, his background preparation for the decision this week to—for the time being I hope—not purse the consolidation that was originally programmed by his predecessor.

I continue to feel very strongly that there are a number of your employees working in areas where the security is increasingly difficult to maintain, that security level needed for your specialized work. And also perhaps the working conditions are less than could be desired as well as the travel time in between the some 18 or 19 locations now being operated under your complex. So I would hope that in your statement perhaps you might touch on the plans for the future and the timeframe within which you would hope to resume some consideration for alleviating what I regard as almost overcrowded conditions in your present spaces.

I thank you.

Chairman BOREN. Thank you Senator Warner.

Senator Metzenbaum.

Senator METZENBAUM. I just want to say to the new Director that, as you well know, I did not vote for your confirmation, but I will say that I am pleased with the various steps that you have taken to date. I think you have moved in an appropriate direction with respect to a number of different issues and that by following some of the task force recommendations, you have moved well to indicate your belief that to the extent that openness can be had without any way jeopardizing the nation's security, it is worthwhile doing.

You indicated at your confirmation that you supported the concept of sharing with the American people the total dollars that we spend on intelligence—not with any breakdown. I think all of that moves in the right direction. I think that your indication of some concern as to how far we go with respect to matter of economic intelligence is also all to the good. So I must say that I feel that you're off and running to a good start, and I just hope you can keep up the pace.

Chairman BOREN. Thank you very much, Senator Metzenbaum. Senator Gorton?

Senator GORTON. Pass.

Chairman BOREN. Thank you very much.

Director Gates, we do welcome you back. We await with interest your comments about the work of the task forces and the response to the National Security Review that has been conducted and comments that you might have on the legislation which we have introduced.

We welcome you back to this room and welcome you to this first historic meeting of the Joint Committees.

STATEMENT OF ROBERT N. GATES, DIRECTOR OF CENTRAL INTELLIGENCE

Director GATES. Thank you very much Chairman Boren, Chairman McCurdy.

Our meeting today begins the charting of a new course for American intelligence in a world dramatically changed from just a year ago. The measures that I will present today in open session and in closed session represent the most fundamental change in the American Intelligence Community in decades, affecting structure, process, program and management.

The way American intelligence works, both the details of its structure and the dynamics of the relationships, tend to be poorly understood even by many who have spent time in its midst.

The changes I will describe, although they do not create or eliminate large organizations, together represent revolutionary change of great consequence in the way things really work.

I would like to emphasize before I begin that changing intelligence structure and relationships must be done with care. As we proceed, we must first try to do no harm. Second, we must try to insure that the improvements either outweigh or warrant the cost in resources and the impact on people.

It's worth taking just a moment to make clear why we are here. It is because the world has turned upside down. Today even the most hard-eyed realist must see a world transformed. On the eve of a new century, of a new millennium, we see a world where as never before people are demanding and making progress toward peace, democracy, and an economic system that works.

The Soviet Union has disappeared. The Cold War is over. The major military threat to the United States has receded dramatically. Many regional conflicts are coming to an end. Where a decade ago, 90% of the people of Latin America lived under authoritarian governments, now more than 90% live under governments that are democratically elected.

Apartheid is being dismantled in Southern Africa. Peace talks, however difficult, are under way in the Middle East. Eastern Europe is liberated. Germany has been peacefully united. And the United Nations finally is playing the role its founders envisioned.

It is truly a time of revolutionary change. A time of great hope, promise and opportunity. Yet the opportunity is fragile, and perhaps transitory. In places familiar and remote, whether we like it or not, problems and dangers all over the world will continue to engage America's attention. Instability and the fragility of reform in the former Soviet Union. The proliferation of nuclear, chemical, biological weapons and the ballistic missiles to deliver them in more than 20 countries. The rearmament of Iran. The determination of Iraq to preserve its remaining capabilities and eventually to rearm. The danger of war, nuclear war between India and Pakistan. Civil war in Yugoslavia. The future course of China. Peace making in Cambodia. Terrorism. Narcotics. Nuclear weapons programs in North Korea. Civil conflict in Haiti. Nuclear programs in Iran and Algeria. And countless other developments of concern, crises, or hot spots will come to our national door step.

History is not over. In many places it simply has been frozen and is now thawing with a vengeance Americans ignore at their peril. The nationalist, ethnic, border and resource conflicts of a long ago world have survived more than 80 years of revolution and war to confront us anew. Often a new and more virulent forms.

There is no precedent in history for an empire as vast of that of Russia or the Soviet Union imploding so suddenly. The demise of far smaller, far younger empires previously have shattered the peace, disturbed the social order and rearranged the international scene so fundamentally as to be grasped only by historians at decades removed.

The end of the Soviet Union, the end of the thousand year old Russian and Soviet empire, the end of the decades long superpower struggle and of the cold war—these are cataclysmic events in history. And to think that they will quietly pass from the world stage without further troubling us is to be oblivious to history, and in my view naive in the extreme.

In such a revolutionary turbulent world, and one so transformed from the last 2 generations, our national security institutions, especially defense and intelligence, must change, and they must change dramatically to meet new and different challenges.

But our changes should be evolutionary, conforming to the reality of an unstable, unpredictable, dangerously over armed, and still transforming world. Not yet the world of our hopes and dreams.

Moreover, as our military capability shrinks, we had best be cautious about too quickly weakening our early warning capability, our intelligence capability—what the President has called the nations first line of defense. We must avoid the costly mistake of 1919, 1945, 1953 and 1975 in thinking that we can disengage from the world or that we can or should quickly disarm ourselves or too quickly weaken our national security institutions.

We must not let our hopes overshadow our judgment, good sense, and historical realism. The world I describe is a reality, not a phantom conjured up to justify the existence of our Intelligence Community or our budget.

All historical experience suggests to us that while the revolutionary upheavals we have seen and experienced have succeeded in breaking us loose from the past, the shape of the future is far from established.

We must expect continuing radical change and upheaval around the world, at times promising, at times frightening before the forms and patterns of a new era settle into place.

As we restructure the Intelligence Community, we must bear in mind the changes that have taken place. But also the uncertainties and dangers old and new that still confront us. And in a world of such turbulence, I believe that our approach to restructuring must be guided fundamentally by the need to preserve flexibility.

In a world as fast changing as what we have seen in the last 3 or 4 years, our ability quickly to adjust structurally as well as reallocate resources, must be preserved and even enhanced.

My presentation to you today is in 3 parts. First, in this public session, a presentation of changes in structure and process in CIA and the Intelligence Community, as well as some general observations about priorities and budget.

Second, in the closed session, I will describe the results of National Security Review 29 on intelligence priorities and requirements to the year 2005.

And third, I will review the budgetary implications of those changed priorities.

This process began last November three days after I was sworn in as Director, when the President signed National Security Review 29. This document, citing a world transformed, called for a top to bottom examination of the mission, role and priorities of the Intelligence Community. The President directed some 20 policy agencies and departments to identify their anticipated intelligence information and support needs out to the year 2005. He asked that this review go beyond traditional areas of interest and include global problems such as international aspects of the environment, natural resources scarcities, global health problems, and economic intelligence.

While the results of NSR-29 are classified and I will discuss them greater in detail in the closed session, and will also provide the priorities to both Committees, let me briefly summarize the results here.

The Commonwealth of Independent States emerged in the region of greatest concern, particularly its internal political and economic developments, proliferation of weapons of mass destruction, and control of nuclear weapons. Also among the highest priorities were intelligence on the proliferation of nuclear, chemical, and biological weapons and the means to deliver them, narcotics, and terrorism, financial and trade issues, and technological developments that could adversely affect the United States were considered of major importance.

Policymakers identified new requirements relating to, among other things, environmental, natural resource and health issues, indicating that the Intelligence Community has a wider range of customers than ever with interests that extend beyond traditional national security concerns.

The President directed that upon completion of this review, I provide him with my recommendations for structural changes in the Community, organizational adjustments, possible new legislation and alternative budget proposals to address the new requirements and priorities. I did so last Wednesday and the President has approved what I will review for you today.

Let me briefly describe how we approach these changes. Beginning last November, I appointed 14 task forces to identify where change was needed and to recommend the form of changes.

This agenda was based on ideas for change from within the Intelligence Community, from outside experts, from these two Committees and from my own experience. The task force approach insured the widest possible participation in identification of problems and proposed solutions in both CIA and the Intelligence Community. Furthermore, all but three of the task force reports themselves were circulated broadly. In the case of those involving CIA, all but one were made available to every employee in the agency.

And I received many comments that had a significant impact on the decisions that I made and the recommendations that I made to the President.

I believe overall, what I am presenting to you today represents not just my own changes and those approved by the President, but represent a strong manifestation of the willingness, even the eagerness of the intelligence professionals of this country to move into the future.

Now let me move into the details.

Seven task forces were concerned with change inside CIA and focused on three areas. Intelligence production and analysis, clandestine human intelligence, and three agency wide issues. Because I know you are especially interested in changes in the Intelligence Community, and because most of you have already heard about most of the changes inside CIA, let me quickly summarize the seven CIA task forces described in detail in the prepared statement.

The first examined how to increase the value of intelligence provided to policymakers. A number of actions to this end were approved including greater discussion of alternative scenarios in CIA analytical products; greater autonomy for components for the Directorate of Intelligence to respond directly to policymaker requests; and measures to enhance contact between analysts and policy agencies in order to improve relevance.

A second task force addressed the issue of politicization—the perception or reality of slanted intelligence. I approved all eleven recommendations of this task force including a zero based study of management practices in the directorate of intelligence, measures to reduce layers of review, providing for the inclusion of alternative views in products, establishment of procedures to deal with allegations of politicization, the appointment of an ombudsman to serve as an independent informal counselor for those with complaints about politicization, insulation of all analysis and briefings from the influence of those with responsibility for implementing covert action and other steps.

The third task force addressed future methods of communicating with policymakers. I have concluded that the electronic dissemination of our finished analytic products to policy users is imperative. CIA will move forward on this project beginning with a working prototype at CIA.

Fourth, I have approved the recommendations of a task force working on improving CIA's human intelligence collection. I will provide more details about this to the Committees in closed session.

A fifth task force addressed improving agency handling of information it obtains concerning possible violations of law. This traced back in part to the Agency's handling of information that came to it about BCCI and the International Signals Control Corporation. Measures to deal with this include a number of crimes reporting training courses being prepared by our General Counsel and Office of Training and Education and cooperation with the Department of Justice to compile a dissemination list of agencies with should receive various types of reporting.

The sixth task force concerned problems of internal communication at CIA. A new organization has been created to promote two way communication throughout the Agency, and to develop mechanisms for such communication. Also, our managers annual evaluations will address their effectiveness in creating an environment in

which our employees are encouraged to offer their own views to improve CIA management and the intelligence process.

The seventh task force addressed CIA openness. I have already spoken about this publicly, but would highlight especially our dramatically changed approach to historical declassification. We will review for declassification all documents over 30 years old and all National Intelligence Estimates on the Former Soviet Union ten years old or older. We will attach priority focus on events of particular interest to historians from the late 1940's to the early 1960's, beginning with the JFK papers and the Bay of Pigs.

These seven areas of change will revolutionize both the culture and the intelligence process at CIA. In every case they represent a departure, in some respects dramatic departures, from previous practices and processes. All of these changes are now being implemented.

Now let me turn to the Intelligence Community. The changes that I will outline to you for the Intelligence Community are intended to address problems familiar to you. Indeed, what is striking about the legislation to restructure the Community is that we clearly have a common perception that there is a need for change, and to large degree we have a common view of the specific areas in which change is needed.

I can assure you that some of my recommendations to the President were shaped by initiatives contained in your legislative proposals. In other cases my recommendation went beyond what I had originally intended because of your proposals. All of my proposed changes have been approved by the President.

Before going to the specifics, let me underscore two principles—underlying principles that shaped these changes.

First, I have tried to preserve the decentralization of the Intelligence Community that I and others in the Executive branch believe is essential to ensure the responsiveness to the very diverse needs of the users of intelligence. At the same time, there is an effort to strengthen centralized coordination and management of the Community by the Director of Central Intelligence.

The second underlying principle is to try to preserve and enhance the flexibility of the Intelligence Community, both in structure and in resources, to adjust quickly to a world caught up in revolutionary change.

Now to the specifics.

First, to strengthen centralized coordination and management, the Intelligence Community staff will be abolished, and replaced by a DCI Community Management Staff headed by an Executive Director for Community Affairs. I have appointed to this position Mr. Richard Haver, the Assistant to Secretary Cheney for Intelligence Policy. I will bring Mr. Haver and his staff to Langley. He will have broad responsibilities for managing the community in terms of both program and budget. I expect his staff to identify cross program trade-offs, establish divisions of labor, reduce unneeded or unwanted duplication of effort, evaluate competitive proposals for investment from the Community, and to look for efficiencies and cost savings. This organization will, at the highest level in the Community, manage the overall intelligence requirements process, to ensure coordination among the major collection disciplines and to

evaluate performance in satisfying policymaker needs for information.

To enhance these management capabilities, we have asked in the 1993 Intelligence Authorization Bill for authority for the President to move resources from agency to agency within the National Foreign Intelligence Program. In practice this authority would be delegated to me and would be carried out in concert with the heads of other agencies and an observance of already accepted reprogramming procedures worked out with the Congress.

Second. We will strengthen an independent Community analytical and estimative capability. The National Intelligence Council and association National Intelligence Officers responsible for the preparation of all National Intelligence Estimates will be moved out of CIA and into an independent facility to underscore their independence from any one element of the Intelligence Community, including CIA. The size of this organization will be increased to enhance its ability to carry out analytical work and draft estimates with its own staff.

To underscore that the National Intelligence Council is the sole Community analytical structure, the Intelligence Community product committees—such as the Joint Atomic Energy Intelligence Committee, the Weapons and Space Systems Intelligence Committee, and the Science and Technology Intelligence Committee, all will be transferred from CIA to the National Intelligence Council.

Additionally, the Intelligence Producers Council, until now reporting to the Directorate of Intelligence at CIA, will become the National Intelligence Production Board and also be transferred to the National Intelligence Council.

Finally, to underscore the importance of the National Intelligence Council and its anticipated role, the Chairman of the NIC will become a member of the National Foreign Intelligence council—body which makes all resource allocations within the Community.

There will also be changes inside the National Intelligence Council. A Vice Chairman for Evaluation will be appointed whose responsibilities will include post mortems on previous estimates to assess the quality and accuracy of the work. He or she will also work with the National Intelligence Officers on each estimate to determine critical intelligence information gaps, which then will become priority requirements for collection.

A second Vice Chairman will be created for Estimates. This individual will not only manage the estimates production program, but also will have as his or her primary responsibility to ensure that all draft estimates encompass dissents and alternative scenarios to take into account potentially dramatic unanticipated developments.

As we in intelligence consider an increasing number of issues where the outcomes are simply not knowable, the Vice Chairman for Estimates will aggressively promote the use of Red Team-Blue Team or A Team-B Team working groups producing separate drafts for consideration. It will be this Vice Chairman's responsibility to ensure that alternatives are considered and that a competitive analytical process is structured for National Intelligence Estimates.

This is not merely a matter of different agency views—the primary focus of footnotes or dissents up to now. Rather, we must take into account substantive alternatives; the reality that we often cannot know what is going to happen, and that even a unanimous view may well be wrong.

The Vice Chairman for Estimates also will be responsible for ensuring that the drafts of estimates make clear what is known as opposed to what is being estimated. And that the drafts reflect levels of confidence in judgments. This individual also will be responsible for encouraging the NIO's to look to both controversial issues and future problems to ensure that the Community is not avoiding tough issues.

The National Intelligence Council over the years, from time to time has benefitted from the appointment of non-governmental experts from either business or the academic community, as National Intelligence Officers or members of the analytic cadre. I intend that this occasional practice in the past should be pursued more aggressively and that the National Intelligence Council and its analytic cadre should not only have substantial representation from all elements of the Intelligence Community, but from non-governmental institutions as well.

I believe we can create in the NIC opportunities for scholars to come in on short term arrangements to provide estimate drafts or analysis, or for individuals from the private sector or the academe to serve as National Intelligence Officers for longer periods of time. I also believe that we should look to non-governmental sectors for senior officers in the NIC.

Many of the problems we will be addressing in the future and in the coming decade are those in which there is considerable expertise and insight outside the government, and we should seek to benefit from that in every way possible. Specifically, I will look to fill the position of Vice Chairman of Estimates with a prestigious person from outside government.

Third. We must strengthen the management, direction, and coordination of intelligence collection—that part of our work that consumes the vast preponderance of resources. In making the structural changes that I am about to describe, I have used as a model some aspects of the National Security Agency, where one individual not only is able to task all of the signals intelligence collectors available to the Department of Defense and the Intelligence Community, but also has responsibility for establishing standards, ensuring interoperability, and budgeting and strategic planning in this arena.

Now the collection disciplines are sufficiently different that they all cannot and should not be exactly modeled on NSA. Indeed, none can. However, the idea of having an individual who is responsible ultimately for each discipline and who has as a specific responsibility the coordination and management of requirements for integrated disciplines and who can oversee standards and strategic planning as his or her primary responsibility is an objective to be pursued and has helped shape the following changes.

With respect to human intelligence. We have reached agreement to create a National Human Intelligence Tasking Center that will be managed by the Deputy Director for Operations at CIA. For the

first time in the history of US intelligence, we will have an integrated interagency mechanism for tasking human intelligence requirements to that part of the Community that has the best chance of acquiring the information at the least cost and least risk. The Center will have representatives from the Department of Defense and the Bureau of Intelligence and Research at the Department of State.

For many years, intelligence analysts have drawn broadly on openly available sources of information, ranging from foreign newspapers and broadcasts to scientific and technical journals. Heretofore, however, in each agency there has been no way readily to know the holdings of the other agencies, much less the ability electronically to share that information. Moreover, there has been no Intelligence Community requirements system that would guide the acquisition of openly available information. Accordingly, for the first time, the Community has agreed to the appointment of an Open Source Coordinator who will report to the Executive Director for Intelligence Community affairs.

The Open Source Coordinator, with a small staff, will draw heavily on task forces and working groups of senior line managers to remedy the three basic problems I have identified. That is, to establish a catalogue of the open source holdings, not only of each agency but of the Community as a whole; to establish a comprehensive requirements system that will guide the acquisition of open source materials for the Community; and over a longer period of time, to establish the capacity to share this information broadly within the Intelligence Community.

Another important responsibility of the open source coordinator will be to interact with the managers of other collection disciplines to ensure that they are not collecting against requirements that can be satisfied through open source materials.

One of the most difficult areas for us to address was that of imagery. I appointed a task force comprised of people from the private sector as well as formerly associated with the Intelligence and defense Communities to examine how we might better organize our management of imagery. It is a critical capability, but one that has been identified repeatedly in post mortems of Operation DESERT STORM as one in which there were problems.

The task force identified two basic problems. First, the lack of an integrated requirements process that would tie together national intelligence imagery assets reporting to the DCI and those tactical imagery capabilities reporting to diverse elements of the Department of Defense. Additionally, the task force noted the need for a structure in the Department of Defense that would deal with tactical imagery as a whole. This is consistent with measures already under way in the Department of Defense to address some of the problems growing out of Desert Storm.

The task force, like the legislation proposed by the two Intelligence Committees' Chairmen concluded that we needed a National Imagery Agency. They would have built this agency around the Defense Mapping Agency and the National Photographic Interpretation Center. We examined these recommendations in detail. Secretary Cheney, General Powell, and I talked at length about these recommendations. While some outside defense and the Intelligence

Community have strongly recommended going forward, there have been deep reservations within CIA, the Defense Mapping Agency, in the military services and elsewhere about proceeding quickly to the formation of a large new agency and the danger that in doing so, activities that are currently being performed well might be disrupted or damaged.

There has been little disagreement with the description of the problem. The issue has been how best to approach the remedy. Here, more than in any other area, people have been concerned first to do no harm. Speaking frankly, the task force found that the national intelligence system seemed to be working well and responsive to requirements. The area that needs to be addressed is the connection between those systems and the tactical systems as well as some new structure within the Department of Defense that encompasses the management of imagery assets.

Secretary Cheney, General Powell, and I, agreed initially to approach this problem a step at a time, including at a minimum, Defense making changes to strengthen the coordination and management of tactical imagery programs and my creation of a small organization that would become a part of this new Defense structure. Such an organization would improve the coordination of requirements drawing on both national and tactical imagery assets, as well as work on problems of standards, interoperability and strategic planning and budget.

At the same time, the three of us continue, even now, to examine more far reaching changes in the DOD-Intelligence Community imagery structure. I expect us to reach closure on this quite soon and I will report back to you as soon as we do.

Finally and very importantly, Secretary Cheney and I have agreed on a far reaching internal restructuring of the Intelligence Community organization responsible for designing, building and operating our overhead reconnaissance assets. I will describe this more fully in the closed session.

The fourth and final area of restructuring involves improved intelligence support to the military and to military contingencies. To this end and in parallel to the proposal in both legislative initiatives, I have established the position of Associate Deputy Director for Operations for Military Affairs, and an associated Office of Military Affairs in CIA. Thanks to the cooperation of Secretary Cheney and General Powell, this position has already been filled by Major General Roland Lajoie, United States Army. General Lajoie will be responsible for improving CIA's support to military planning, exercises, and operations. More specifically, this office will be responsible for coordinating military and CIA planning, strengthening the role of DCI representatives at major commands and at the Pentagon, developing procedures so that CIA is regularly informed of military needs for intelligence support, developing plans for CIA support in national, theater and deployed Joint Intelligence Centers during crises, and the availability of CIA officers for participation with the military on selected exercises.

I believe these steps, supplemented by additional budgetary changes designed to improve intelligence support for military contingencies will address many of the shortcomings identified during

the Gulf War, and will result in significant improvement in cooperation between CIA and the Department of Defense.

These four areas—Community management, Community analysis, integrating the collection disciplines, and strengthening support to the military—collectively represent a dramatic change in the way the Intelligence Community goes about its business. Some of these measures are being implemented immediately. Others will take longer. But we are beginning a process of change that I believe will gain momentum and spread to other areas as well. This process of change will continue. We are now concluding only round one.

I apologize for taking so long, but it is important that you know the full magnitude of the changes that we have under way in CIA and the Intelligence Community. In making these changes, there has been an unprecedented degree of cooperation and help from all of the 12 agencies and departments of the Intelligence Community. These changes I believe put us on the right path for the future, and will enable us to respond effectively to the changed priorities growing out of National Security Review 29, as well as the reallocation of resources to satisfy those changed requirements and missions. These decisions will significantly enhance centralized management of the Intelligence Community, and yet preserve the decentralization essential to its effectiveness. The changes also preserve flexibility.

I hope that as you reflect on these changes, you will do so against the backdrop of the changing and indeed revolutionary times in which we live. Except in the narrow area that I have identified for reprogramming resources within the National Foreign Intelligence Program, the Administration believes legislation is unnecessary. Indeed, in a fast moving world, I believe legislation would be unwise. We have responded substantially in nearly all of the areas identified in the proposed legislation as in need of change, and yet we have done so in a way so that if in a year or two we determined that further adjustment is needed in these structures, we can do so quickly and efficiently, without the need to seek new statutory authority.

Let me conclude by setting the stage for our closed session with several observations on changing priorities in the budget. Above all, I would like to correct certain misconceptions that have become conventional wisdom.

First, there is the impression that until now the entire focus of the Intelligence Community has been on the Soviet Union, and that with its demise, we are now searching eagerly for new missions with which to occupy ourselves. The facts are as follows.

In 1980, at the high point of our commitment of resources to the Cold War, 58 percent of the Intelligence Community's resources were dedicated against the Soviet Union. The remainder, that is, over 40 percent, were on a range of issues that remain of significance today. Developments in the Third World, international arms sales, proliferation, terrorism, international economic issues, international strategic resources, and a host of other issues. The 58 percent of our resources dedicated in 1980 to the Soviet Union, by Fiscal Year 1990, had dropped to 50 percent. With the readjustments in budget approved by the President this week to accommo-

date new priorities, total resources in the Community dedicated to the Commonwealth of Independent States will drop to just 34 percent. In CIA, that figure will be less than 15 percent.

In short, the Intelligence Community never was wholly preoccupied with the Soviet Union, and for more than a decade has been evolving away from the USSR to deal with the wide range of other issues of concern to the United States and the world. The Intelligence Community has not been oblivious to changes in the international landscape.

Second, there is the notion that the Intelligence Community has been sized to the Cold War and therefore must be significantly restructured and downsized. This, too, is not accurate. Between 1967 and 1980, the Intelligence Community lost 40% of its people and 50% of its money. By the end of the 1970's, the Congress, beginning with the Senate Intelligence Committee, concluded that intelligence had been cut too deeply and began a rebuilding of US intelligence capabilities. That rebuilding was shaped far more by the failure of intelligence to predict the Iranian revolution in 1979, than by any developments in the Cold War. As a result, the revived Intelligence Community of the 1980's focused on investment on non-Soviet issues and on maximizing the flexibility of our large overhead systems—a strategy that proved its worth in the Gulf War last year. Restoring our collection and analytical capabilities on the Third World was one of the primary areas of concentration. In short, what you have now is an Intelligence Community rebuilt and restructured in the 1980's by the Congress and the Administration with a far more diversified and challenging world in mind than simply the Cold War.

We will discuss budgetary specifics in the closed hearing. But I know that a number of you are convinced that this intelligence budget must be cut. I understand that. But I would point out that as we begin this dialogue, we already have been cut, and fairly deeply. We do not begin at the beginning. Based on our FY90 budget submission and looking out five years, the intelligence budget already has been cut by billions of dollars and thousands of jobs.

I would like to close by saying that the Intelligence Community has enjoyed for a number of years now very broad bipartisan support for a continuing strong American Intelligence Community. As we look to the future, the need for intelligence was perhaps best described by the President at CIA a few months ago when he said, and I quote, "A world without the Cold War confrontation is a safer world, but it is no Garden of Eden. This is not the end of history. Men and nations still have their propensities for violence and for greed and for deceit. We need a strong Intelligence Community to consolidate and extend freedom's gains against totalitarianism. We need intelligence to verify historic arms reduction accords. We need it to suppress terrorism and drug trafficking, and we must have intelligence to thwart anyone who tries to steal our technology or otherwise refuses to play by fair economic rules. We must have vigorous intelligence capabilities if we are to stop the proliferation of weapons of mass destruction. And so this is truly a life or death mission. In sum," he continued, "intelligence remains our basic national instrument for anticipating danger—military, politi-

cal and economic. Intelligence is and always will be our first line of defense."

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Director Gates. And again, let me commend you as my colleagues around the table have earlier for moving forward so vigorously in this process, for the innovative way in which the internal study has been conducted, and for taking these recommendations to the President for his action early on in the process. I think, when your confirmation was under consideration, many of us said that we felt that with changing conditions we needed a Director who would step out quickly and forcefully to make needed changes. We are seeing that beginning to happen and we are encouraged by it.

I am also encouraged that you have identified so many of the common areas of concern that Chairman McCurdy and I have highlighted in our proposed legislation for consideration by the two Committees. You've confronted and focused upon the need to have a stronger management role within the Community for the Director so that we could end duplication and so that we could have reprogramming of resources as priorities shift even within the same budgetary year. I think you have focused also on the need to have single managers, at least in most of the areas. I want to come back to one of them, the human intelligence area, and discuss the need to decide the best way to determine how human intelligence will be collected. It may be less expensive to do it through the State Department or through a military attache than to have a clandestine station, for example. Someone needs to make those decisions.

I am encouraged by your proposal for what Chairman McCurdy and I talked about as a world class think tank. A place within the analytical structure, really separate and apart and distinct from the CIA, where we can bring not only the analytical resources of the CIA, the rest of the Community, other departments of government and, as you have highlighted today, some of our best minds from throughout the country outside government—from academia and from the private sector as well—to help us in terms of providing the best possible analysis for policymakers. I think there is a strong movement in your proposal in the right direction, and I find many common threads—perhaps 75 percent—in common with the basic thrust of what we hope to achieve with the legislation which we introduced.

So I welcome your comments and the fact that you have not simply sought to make a few changes around the edges, put on a few bandaids, a few patches but that you, in the course of your study internally within the Agency and the Executive branch, have sought to think in an innovative way and to tackle change in a much broader way.

Let me say, we welcome Ms. Kennelly who has joined us, our colleague from the House. It has been a pleasure to work with her on a number of occasions. And we also welcome for his first attendance at a public hearing as a newly appointed Member of the Intelligence Committee, our colleague, Senator Kerrey, from Nebraska.

The Members of the Committee will rotate for questions. We will take five minutes maximum time for each Member, rotating between Members of the Senate and the House. The Clerk of the

Committee will notify each Member when one minute is remaining.

Let me mention quickly two points before I turn to the Chairman of the House Committee.

You talked about the Executive Director for Community Affairs that would really report to you and work on making sure we don't have duplication, for really rationalizing and managing the whole Community both in the civilian and the Defense related intelligence agencies. How would the powers and function of that Executive Director differ from the proposed Deputy Director for the Intelligence Community as conceived in our original bill? Would it be roughly the same? You've talked in terms of reprogramming, looking at budgetary overlaps and coordination of all of the resources of the Community in, I would use the analogy, an OMB-like fashion in terms of other elements of the budget. How would this proposal differ other than title and exactly where would it fit in the organization chart?

Mr. GATES. Based on what I have read about in your legislative proposals and what I have read out elsewhere, I think there would be relatively little difference. I expect that this individual would be a very strong manager of the Community and that would have a more intrusive role in the actual management of the Community than has been the case in the past.

The truth of the matter is that an individual in this position, whether you call him or her an Executive Director or a Deputy Director, their role is going to depend on the responsibilities that they are given by the Director. And it seems to me that it is imperative to give this individual a great deal of leeway and a great deal of authority to carry out the kind of management tasks that I have in mind and that I think that you and Chairman McCurdy have in mind.

Chairman BOREN. Well, I noticed in your March 26 letter you talk about the provision on reprogramming authority, which is a part of this, so that you can move assets around between agencies in the Community whether they are in the Defense area or civilian. You could move assets and dollars from CIA to the Defense Intelligence Agency or vice versa, for example. You indicated that you anticipate that if this reprogramming authority becomes law, that the President would delegate the enhanced transfer authority to you as the Director of Central Intelligence to reallocate the funds. You made a similar statement today. If that is true, why shouldn't the law simply designate the Director of Central Intelligence instead of the designee of the President.

And second, I would assume that if we do enact this into law, whether we simply name the President or his designee generically or specify the Director of Central Intelligence, that you and the Administration, as far as you know, would have no objection to us having the normal reprogramming provisions. In other words, normally a reprogramming request, once it is made by the appropriate official, is submitted to the appropriate Committees of Congress to act upon. I would gather that you are not suggesting any change in the Congressional reaction process to the reprogramming request?

Mr. GATES. No. To take the second part of your question first, as I indicated in the prepared statement, I would anticipate continu-

ing with the same kind of reprogramming arrangements that we have with the Congress now, so there would be notice to the Congress and time to react and so on.

The reason for the way that the proposal has been submitted in terms of a delegation of the President receiving the authority and having it delegated to me, quite frankly, is a—there was a legal consideration and a concern about—on the part of attorneys in the Executive branch at having in the law a requirement for coordination within the Executive branch. In other words, the President doesn't have to coordinate with anybody, and quite honestly, the arrangement that led to Executive branch agreement on this proposal was that if I wanted to move a certain number of dollars from CIA to the Defense Department or to DIA or vice versa or whatever, it would be done in concert or in consultation with the head of the other agency. They—the people involved in drafting legislation in the Executive branch did not want that aspect in the law itself, and that is why they chose to put in that it would be delegated to the—or that the President would have the authority and that he would then delegate it. And then by Executive Order, I will be required to consult with others in the Executive branch as I do this.

Chairman BOREN. Two other quick questions.

Let me say to my colleagues on the Senate side, we are voting now on final passage of the continuing resolution, so Senators may wish to vote and return. When I complete my questions, I will turn to Chairman McCurdy for his questions and then he can proceed down with House Members questions while we vote until we return.

I am very pleased about the concept of increasing the role of the National Intelligence Council and making it more independent. I know you talked about actually moving the physical location so it is not viewed as dominated administratively by the CIA. It really becomes an interdisciplinary analytical think tank, so to speak, utilizing all the various agencies of government as well as the analytical capability of the CIA and people outside as well.

Would it, do you think, improve its status and prestige to have its own statutory authority? I wonder whether or not you think a separate budget apart from the CIA, which of course would still come to you as head of the Community for approval, would be something that also might lend additional prestige to this unit that we hope will really become a focal point of our analytical process.

Director GATES. I haven't thought about a separate line item budget for the National Intelligence Council, Mr. Chairman. I'd be happy to do so. With respect to statutory recognition of the National Intelligence Council, I think that probably having it named in law would give it additional stature. Again, as I indicated earlier, I do have concern that we retain—just as I am restructuring it to create two Vice Chairman for different functions, I would be concerned that my flexibility with respect to the NIC not be limited.

Chairman BOREN. Right. I understand that, and if we did statutorily name it or charter it in that sense, you are certainly right. We wouldn't want to go into such detail that it would prevent you from experimenting with internal structures and changing it. If

the first attempt didn't work out as you anticipated and also as issues change, you need the flexibility to change.

One other question on this matter. When Ambassador Abramowitz testified to us based upon his experience in the intelligence field at State, he said this, and I want to quote from him: "We need to attract some of the best people. That includes the unorthodox as well as the orthodox. One way is obviously money. Another way may be to reexamine the security clearance process which may be overly restrictive in weeding out promising analysts, or because the polygraph deters some creative minds from applying." Now, he is thinking not in terms of operations officers. He is talking in terms of the kinds of analysts that might be drawn out of academia, for example, into the National Intelligence Council, maybe even on short term assignment.

Of course, the polygraph is part of our basic procedure in the Intelligence Community. Do you think it would be wise to at least give some thought to review, for certain kinds of short term analytical positions, the polygraph procedure? Not to dispense with the polygraph or with background checks completely, but perhaps we could limit polygraphing to counterintelligence kinds of questions so that we certainly screen out any of those that would have had contacts with foreign agents or counterintelligence capabilities instead of the more broad life style questions.

Director GATES. I am certainly willing to give it serious consideration. I know that now in terms of CIA's relationship with the academic community, over the past four or five years, something like 600 scholars have done contract work for the Agency, unclassified contract work, I think. There have been some 250 that have done monographs for CIA. Some 400 CIA analytic products have been reviewed by scholars, and I am confident that in most of those cases there was no polygraph and no full clearance process, but rather perhaps some limitation in terms of the kind of access they were allowed, both to information and to facilities. And so there may be something that could be worked out that could bring some additional flexibility at least in terms of what they could contribute to us. So I think there is some possibility there but it would need careful consideration.

Chairman BOREN. Right, I understand. I think it would be something worth looking at, because there is a certain value to having the best and brightest people out of various communities—academic community, the private sector—physically in a place where they are talking and interchanging with others who work on estimates. Perhaps there's a way of allowing people to come and go in and out of the system with a little less bureaucratic barrier.

Finally I notice—and I know my colleagues wants to go into this matter as well—your blue ribbon panel recommended unanimously and unambiguously that we move toward one national collection and acquisition agency for imagery. I just happened to look over some of the—and I will not quote classified portions—reports of your own committee.

The reports talk about the current dispersal of imagery acquisition planning—piecemeal planning; separate organizations concentrating on specific segments; no single entity in charge of overall process; no firm mechanism to coordinate between them; relatively

limited knowledge of many operational military users of what capabilities are available; lack of effective access by operational commanders; limited ability to disseminate imagery to field echelon commanders; need for a single architect; and I could go on. Also mentioned excessive cost overruns in many cases which are of no small interest to the taxpayers. And the task force believes strongly that imagery functions need to be consolidated into one agency.

After an excellent report, I might say, from a task force that also included distinguished active and retired military officers, why is this an area that we seem to have ducked taking the kind of bold action that is necessary and recommended by your own task force?

Director GATES. I knew there were drawbacks to this openness business. [General laughter.]

Chairman BOREN. I just wanted to bring back memories of this room to you with that kind of question.

Director GATES. Most of the problems that have been identified in the post mortems of DESERT STORM having to do with intelligence, and particularly with respect to imagery, have to do with the tactical systems, and have to do with how the information is passed from the commander to subordinate commanders. As I indicated, there is widespread agreement on the description of the problem. The difficulty is in figuring out how to address the problem, how to remedy those problems. Quite honestly, part of the problem in the National Intelligence Community with the proposal of the task force, was the worry that in the absence of an existing tactical imagery program on the defense side, that to take something that now is working well on the national side and glue it together with something that doesn't even exist on the defense side, might result in a contagion in the wrong direction—that in effect, by putting together a very new and unformed structure on tactical—on the tactical side, you might somehow weaken the performance of the national side.

I think in all candor that there are also some internal problems in the Department of Defense in terms of how to come to grips with the problem in terms of how to remedy this situation. As I indicated in the testimony, we are continuing to look at this. I think that there are probably people meeting on it even as we are meeting. And I think that there is still the possibility that we can come up with something that at the outset is more integrated.

The approach that we have already agreed upon I think sets the stage for the growth towards greater integration and dealing with some of these problems. I think that it represents a significant step ahead of where we are because it is premised on the creation of a new structure in Defense to deal with the shortcomings of their situation. And so I think that that in itself represents a substantial step forward. We'll see if we can go further faster.

Chairman BOREN. Well, I am going to turn now to my colleague, Chairman McCurdy, to chair the questions from the House. I know he will want to pursue this with you as well. In all candor, I do think that this is an area where the plan does not measure up. This is a glaring gap. And, unfortunately, this is a gap in an area where many, many, many of our dollars are going. A very high proportion of our dollars are going into this area. It is not a million dollar area, it is a multibillion dollar area in which the taxpayers

have a strong interest as well. So I really hope that these conservations will result in going back to the drawing board because this is one where I think we have a strong responsibility to the taxpayers to come up with a better answer. I frankly think we came up with a better one originally.

But I will turn you now over to Chairman McCurdy and questions from Members of the House.

Representative McCurdy. I thank the Chair. I would advise him not to be gone too long—we might get comfortable with these rather lavish conditions over here.

I want to know how you get tickets to those sky boxes up there. [General laughter.]

Representative McCurdy. Mr. Director, I think I want to do as the distinguished Chairman from Oklahoma had indicated, follow up somewhat in this area. He and I have discussed this at length. This is one of the areas that in almost every one of our public hearings a distinguished set of witnesses did—or come close to developing a consensus—that there had to be corrective action. Many supported the concept. Some who came in said at the outset that based on some briefings that they had had or conversations, probably some phone calls before they came over to testify, that they had grave reservations about it. When I read the charter of what the Agency was supposed to be, similar to NSA, and I asked if this was such an onerous position, they tended to back off.

I want to ask you, on page 30 of the House bill, regarding imagery intelligence activities of a National Imagery Agency, we set forth a charter which basically says that there is hereby established within the Department of Defense a National Imagery Agency which shall be headed by a Director appointed by the Secretary of Defense, after consultation with the Director of National Intelligence. The Director of the National Imagery Agency shall be appointed for a term of four years, subject to removal by the Secretary.

And then you go into the specifics of this charter. It says the Director of the National Imagery Agency under the direction of the Secretary of Defense, shall establish and operate, subject to the authority and guidance of the Director of National Intelligence, a unified organization within the Intelligence Community for: (1) establishing and giving direction for the conduct of imagery collection activities; (2) the exploitation and analysis of the results of such collection; (3) the dissemination of the product of such collection in a timely manner to authorized recipients within the government; and lastly, (4) the establishing of product standards and dissemination standards to cover the functions specified in paragraphs (1), (2) and (3).

Does that appear to be an overly specific legislative intrusion into the activities of the Intelligence Community? It seems to me that is a fairly broad baseline type of organization.

Director Gates. No, I wouldn't describe it as particularly overly intrusive. My concern with the National Imagery Agency, and in fact, one of the ironies in this task force is that they asked me going in if I had any preconceived notions, if I was going to put any limitations on them in terms of what I was prepared to consider at the end of the road. And I said, well, the only consideration that I

have is that I am not really very much interested in creating a new big institution, which is of course exactly the recommendation they came up with.

Part of the problem has less to do, from my perspective, with the kinds of functions that this agency would undertake, but rather the practical difficulties in terms of putting it together and the impact on existing organizations. The major difference that I detect in the charter that you read with what the task force recommended is simply limited to the fact that the task force would retain the distributed analytical and exploitation functions of the different—of CIA and DIA and so on.

I continue to believe that the problem I identified at the beginning of this process is the core of the problem, and that is, we need a way in which one individual or somebody who can be in charge, has the authority to task national and tactical assets available to both the Intelligence Community and the Defense Department, and enforce standards, interoperability, and do strategic architecture or strategic planning and budgeting.

Now there are just candidly, a lot of bureaucratic difficulties in trying to wire that kind of thing together given the existence of a lot of other institutions. And frankly, the inclusion by the task force of the Defense Mapping Agency in many respects complicated the issue, because Defense Mapping is a huge organization. It's got thousands of people in it. They are very dependent on satellite imagery, however, and that was the reason why the task force put them in that—put them in that position.

So I think that what we have here is less of a difference, as I indicated earlier, of the perception of the need, but more a concern with the problems of how you get there from here.

Representative McCurdy. Well, I understand that, but given the fact that you have reservations about the bureaucratic turf battles and the problems within different organizations, and the fact that not only your task force, but our legislation and the witnesses that have appeared before us have cited this as one of the most serious shortcomings. I think it all points to the fact this is the one we need to focus on in greater detail. We're not talking about creating a super agency all brand new from the start. We have these functions now in place but they are just dispersed throughout the Department of Defense and elsewhere, some classified, some not.

The response that you, and the Secretary of Defense, and General Powell have come up with is basically that you're considering some sort of bridging organization to integrate national and tactical imagery intelligence? I mean, how do you expect to organize this structure, who will be in charge, who will make up the staff complement, how will a bridging organization work if it does not have the budget authorities commensurate with its responsibilities?

Quite frankly, we tend to agree that there is a problem, we agree that there needs to be a remedy and you say you want to get there, but my analysis from this side of the River at least is, you are probably the one person who, as Director, probably can't implement this portion. All of the other recommendations you make from your task forces save the ones that call for legislative action, I think you probably can, if you'll continue to fight, have implemented. This is the one that cracks the most crockery. This is the one

recommendation that steps on the most toes. This is the one recommendation that concerns the biggest amount of funding, and therefore you are going to get the biggest amount of opposition to it. And I think we have to find more than some bridging mechanism to get there.

If you want to respond to that, go ahead, and then I have one last point. Go ahead.

Director GATES. I would just say that I think what we have in mind even as the minimalist approach really is more than a bridging mechanism, because it envisions Secretary Cheney breaking a fair amount of crockery. It's a staged breaking of the crockery and would require the Defense Department first to take steps to get its own house in order on the imagery side and to create a coherent tactical imagery program and find out how they want to wire all this together before proceeding immediately to make that part of the learning experience and creating a big new agency that includes both the national and tactical systems. So I think it is important to realize that Defense is already, and I think it is an important step forward by Secretary Cheney and General Powell, that there needs to be a structural change in the Department of Defense to deal with this problem. They are prepared to move out to create that new structure, and the bridging mechanism would be part of the staging in which I would have an element in there in that new structure in order to begin the process of integrating these two systems. So it is a longer range approach to it but I think that the commitment that they have made in effect to overcome some long standing protection of rice bowls is a fairly far reaching one already.

Representative MCCURDY. Well, that's a—and I don't doubt your comment at all, but it's an interesting comment considering the letter that the Chairman of the House Armed Services Committee received from the Secretary of Defense who castigated the legislation as a massive intrusion with incredible language about how it was unnecessary and it was the wrong direction and wrong headed. In the same letter the Secretary also says, by the way, we're going to do this all on our own anyway.

It's one thing to say we're going to take care of it, but it's none of your business, leave it to us to consider the impact and the effective nature of this organization or organizations.

Let me just go through as Senator Boren did and summarize some of the areas in which I think we have come closer. I don't know if it is 75 percent—if you recommended 75 percent of what we have. Part of the proof of that will be when we see the final implementation. But I do commend you for the steps you've taken.

One of our initial recommendations of course, and the thrust of it, was to enhance the power of the Director. We changed the name to a Director of National Intelligence. Some people have said they don't care if it's DCI or DNI, the effect is there needs to be enhanced power including transfer authority.

We have discussed the charters. I indicated that—I read to you the charter of the NIA. Change imagery to signals and you get the charter of the NSA. DIA is very similar. Again, very simple, straightforward charters.

There was a recommendation with which I think many agreed that the DNI or Director should be a member of the National Security Council.

There was constructive criticism, and I accepted it as such, that we need to ensure that there is competitive analysis. We all accept that. If the language in the bill was unclear there, I think we need to clarify that.

And as Senator Boren said, the analytical division, at least in your National Intelligence Center, was a step that we felt was necessary.

And lastly, we commend you on your changes in the Intelligence Community Staff. I think that was long overdue and I applaud you for that move.

Having said that, let me now yield to the Ranking Republican Member of our Committee, Mr. Shuster, for any questions he may have.

Representative SHUSTER. Thank you very much, Mr. Chairman.

Mr. Gates, I certainly want to congratulate you for the extraordinary progress you have made in a very short period of time in both the depth and breadth of your reorganization efforts.

I think one of the beauties of your approach is that it is not etched in legislative stone. In fact, I would be worried that you are moving too fast if you did not retain the flexibility to back off and make changes. I think that is one of the real beauties of you making management decisions out there rather than our passing substantial legislation to be etched in stone.

One of the things that has interested me greatly is that rather obviously, organizational structure exists to meet needs as needs are defined. Back in November the President tasked some 20 Federal agencies to review their intelligence needs through the year 2005 and submit those recommendations to the National Security Council, I believe by February 20. The NSC was to approve these requirements, and then you were to conduct a review of the resources to determine how best to meet these needs. And as I understand it, your review was to be done by March 20.

To the extent you can discuss in open session, how are the results before us today based on this National Security Review 29, which——[Pause.]

Representative SHUSTER. If you want to respond to that, then we're going to have to leave for a vote. The bells just rang.

Director GATES. What you have here are two processes going forward in parallel, one on the substantive and primarily budgetary side in terms of the priorities and substantive needs of the policy community out the next dozen or fifteen years, and the other, changes to improve the management of the Community.

I believe that the changes in the world did not make the changes in the Community structure necessary—they made them possible. Many of these—some of these things that we have recommended or that I have recommended have been thought about before, but the bureaucratic inertia was too great to overcome in a world where there was still a Soviet Union and a Cold War and so on. The changes that took place in the last few months of last year I think created an environment in which everybody realized that we had an opportunity here for change and an opportunity to lay some

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foundations for what this Intelligence Community was going to do for the next generation, and it created an environment in which people were ready to contemplate and agree to some structural changes that heretofore had not been able to have—we hadn't had any progress on. So the two really have gone in parallel. They intersect in some respects, but they are pretty much separate.

Representative SHUSTER. Mr. Chairman, I would like to reserve the balance of my time.

Representative MCCURDY. If the gentleman from New Hampshire would allow, the gentleman from Washington State wanted to ask a quick question before the vote and then I would be glad to yield to the gentleman.

Representative DICKS. Mr. Gates, I want to congratulate you for the steps that you have taken here. I think a lot of what you have proposed as you suggested was driven by the fact that you have your task forces, you had the legislation introduced by the two Chairmen. One thing that I noted was your decision to try to develop a kind of alternative analysis—the red team, blue team, alternative A, alternative B—and having both evaluations, I think it was Vice Director, and estimates.

Can you give me a little understanding of why you feel that is important and why you think that is a significant step?

Director GATES. I think one of the hardest things we have tried to do over the years in the Intelligence Community is encourage alternative points of view. I think that the current circumstances in the world make it possible for us to perhaps have a breakthrough in this. You know, the notion that dissent was suppressed in National Estimates and that sort of thing, I think there is really a misunderstanding of the way the process has worked. The fact of the matter is on most issues, most of the people in the Community if not almost all the people in the Community were prepared to sign up to the conventional wisdom. And there was the problem, because most of the time when the Intelligence Community has been wrong in the past, it has been because the conventional wisdom was wrong.

And so it seems to me that as we confront a growing number of problems and issues in the world in which the answer isn't a secret, the answer is a mystery—nobody knows the answer—that we do the policymaker a disservice by pretending that there is an answer, there is just one answer.

Now I think we always owe the policymaker a best estimate. We always have to tell him what we think is the most likely outcome. But now I think we can't wait for agencies to take footnotes or to formulate dissents. We have to build into the very root and branch of the estimate itself the alternative outcomes. What if we're wrong? What are the different ways this could come out? There is no right answer to the question, what is the prospect for reform in Russia today. You can address what you think is going to happen, but I think it would be irresponsible not to address what if we're wrong? What if it goes a different direction? And what might those different directions look like and how might we recognize if it is headed in those different directions.

So this structure to build in the competitive analysis is really more an effort to enrich these estimates for the policymakers in

helping them think through and understand the kinds of issues they are going to be confronting overseas.

Representative DICKS. Well, based on—without getting into anything classified, based on what we saw in the Gulf, I think this is a very good thing to do. Based just on my experience as a Member of the Defense Appropriations Subcommittee, and now a Member of the Intelligence Committee, I think that making this a requirement to look at alternatives and to give it equal billing is a very, very positive step.

One other question that I have been concerned about comes in the question of imagery. I know you have talked about the agency itself. What I have been worried about is one of General Schwarzkopf's statements when he was testifying before a variety of Committees, that one, he had trouble getting good intelligence and utilizing it. I frankly think that the Intelligence Community did a good job—maybe it was more a staff problem. But one of the things that he said was a very significant shortfall was using broad area search and being able to get direct, day-night, all weather types of photography. What always worries me is that a person who is very skilled in reconnaissance told me that every time we have a war, people get all excited about reconnaissance. As soon as the war is over, reconnaissance goes down to the bottom of the list of priorities. Your imagery group has dealt with the requirements and the needs for improved imagery collection. I would just like to know what you have in mind in this particular area.

Director GATES. I think that there is a valid and an important requirement for broad area search. And what we in the Executive branch are engaged in and what we are talking with the Congress about is what is the right kind of investment to address that problem.

Representative DICKS. Well, again, I just hope that we don't—now that we are in a peacetime situation, that we don't make the same mistake that we have made in the past, and that is ignore a very serious deficiency which General Schwarzkopf said was his most serious intelligence deficiency.

Thank you, Mr. Chairman.

Representative MCCURDY. I thank the gentleman.

The distinguished gentleman from New Hampshire.

Senator RUDMAN. I yield to Senator Cranston.

Representative MCCURDY. The Senator from California.

Senator CRANSTON. I thank my colleague from New Hampshire. I am delighted to have this chance to be with you today, Bob.

One matter that has concerned me is the overclassification of documents. You have indicated that you will do more to expedite declassifying historical documents and have more briefings that are open to the public. But I believe there is still a lot to be done now on documents that get classified and lead on the one hand to a feeling that maybe this doesn't need to be protected because it is such a widespread use of that. One example is that there came into the hands of a member of my staff a shuttle bus schedule that apparently is posted on the entry to the Intelligence Community Staff building, but that was marked confidential.

What are you going to do to try to ease the classification of documents and material that need not be so classified?

Director GATES. The first step that I took produced some interesting results. Before I was confirmed, I drafted National Security Review 29, and I specifically did not classify it. It is interesting to note that it didn't leak. So I think maybe we ought to declassify or not classify anything, and those things that are unclassified, we ought to stamp top secret.

I think first of all, in some respects this process of change and reform and the spirit that it has engendered has created an environment in which people are thinking about this at all levels for the first time. The openness initiative that I have taken; the greater communication within CIA in terms of how much we share with all the employees; the willingness to share all these task forces with the employees; the fact that some of the decision memos are unclassified; that we are conducting this hearing in the open. But I think also something that has had an important impact in terms of the way people think about this is the declassification initiative that I have taken, because people are now paying attention more through a combination of all of these measures—the openness initiative, the internal communication, the historical declassification—they are looking at a memo or somebody in their office is now looking at a memo and saying, well now, tell me again why this is classified. There is nothing classified in this memo.

I think what has started, and I think we are only at the beginning of it, is a process in which people genuinely think about whether the document that they have generated is classified or not, as opposed to it being an automatic reflex, particularly in the Intelligence Community. My guess is it is probably more automatic in our world than it is in any other part of the government. And I think all it can be is a cultural change, and as we are changing some of these other aspects of the culture that I talked about early on in the prepared statement. I think it is also having a spillover effect in an area like this. But it will take some time, and frankly, it will take some continuing pressure from the top.

Senator CRANSTON. Hope you can provide some vigorous leadership in that direction.

You indicated that resources have been and now are being redirected from the focus on the Former Soviet Union to elsewhere. Perhaps you would rather answer this question in the closed session, but I am curious about where the resources are now being directed that were formerly directed to the Soviet Union.

Director GATES. I think I can say in very broad terms that the—as we have taken away from some areas and added to others, those areas that we have taken away from have tended to be traditional Soviet—some traditional Soviet military targets, particularly some aspects of their conventional forces; indications and warning; Warsaw Pact; those kinds of targets that we devoted a lot of resources to over the years where we are moving away from at a more accelerated rate.

At the same time we are intensifying and accelerating our efforts in other areas, most of which we have been dealing with before. The proliferation area is probably the—after some new targets relating to the Former Soviet Union that I would prefer to go into in closed session, proliferation is probably our highest priority and there is a substantial and new investment in that. There is a sub-

stantial new investment in some of these collection disciplines that will address some of the new requirements in the NSR. That is very broad. If you don't mind, I would prefer to address it in more detail in the closed session.

Senator CRANSTON. My time is up, so let me just say one thing. This will not be a question. I think it is very likely that there are going to be some budget cuts made in CIA and in the Intelligence Community, and it would be very helpful for you to give us some guidance on what you consider the highest priorities and lesser priorities as we get to that.

Thank you very much.

Director GATES. Yes, sir.

Chairman BOREN. I might announce that all Members of the Committee have now completed the voting on Admiral Studeman's confirmation. It is a unanimous recommendation of 15 to 0 of the Committee that he be confirmed to be your Deputy.

Director GATES. Thank you.

Chairman BOREN. I will now turn to Senator Rudman, and let me say, Senator Rudman, I think this is your first appearance before this Committee since you have announced your decision not to seek reelection. It is a decision that I know you made after a lot of thought, but it is a decision that I certainly regret for the sake of the country as well as the sake of the work of this Committee because you have made an enormous contribution. I think that under normal circumstances when a Member of another party decides to leave the Senate and the possibility is opened up for a possible gain of that seat for your own party, traditionally there might not have always been a unanimous feeling that it is a bad thing when a Senator of the other party decides to retire. I can tell you that from having talked with all of our colleagues, it is a unanimous feeling in the Senate that it is a great loss to the country for you to retire and we are going to miss you as a Member of the Senate and this Committee.

I will be going off this Committee but this Committee will miss your deliberations in the future as well, because your contribution to the bipartisan work of this Committee has been so important. I hope you will continue to advise us from the private sector, from real life, after you leave here. I just want to take this opportunity to thank you for the conscientious service that you have given.

Senator RUDMAN. Mr. Chairman, thank you very much for those very gracious remarks. I can assure you that the things that weighed heavily on me were those things that I enjoyed about the Senate, and this Committee has been a very special experience. The Members, the Staff, the people who appear before us and the substance of the work—I will miss them.

I want to say to you that I think this is a remarkable statement. I don't think anyone who sat here last September and October could miss the significance of the statement that you have presented to us today. I can recall that before the Chairman had publicly spoken a great deal about reorganization in detail that there were a lot of questions about what needed to be done—questions from the Chairman and from others who truly are expert in this area. And I want to say to you that your answers at the confirmation hearings were different than a lot of answers at confirmation hear-

ings—quite often those answers are like government reports of consultants: they end up in wastebaskets. But I think that this statement is a precise response to many of the things that were raised at the hearings and which you told us that you would do. And I find that very refreshing. I will never forget the tumultuous days of last September and October, nor do I think that you will. I think this is a great vindication of the things that you told this Committee, and I think the reason, frankly, that you were confirmed by the United States Senate was the response to many of those questions. So I thank you for the statement. I think it is a remarkable document and one that I think deserves a great deal of study.

I really only have a couple of questions, and I will phrase the first one generally. I note on pages 35 and 36 of your statement, you refer to budget cuts and my colleague from California has referred to that and I think the popular wisdom here, the conventional wisdom is that probably we will have some. But I would submit this question to you. At a time that we are going to have far less in the way of military assets in terms of divisions, air wings, ships, I think a strong case can be made for not weakening in any way the intelligence assets of the country. They become even more important when you are dealing with a smaller force and when surprises cannot be dealt with in a way in which you could deal with them if you had adequate forces.

I wonder if you would like to respond to that?

Director GATES. First, thanks for your nice comments, Senator Rudman. When the President and Secretary Cheney sent up the $50 billion in additional Defense cuts here, they did not take a single nickel from the Intelligence Community. I think that speaks volumes about their perspective of the priority that they attach to intelligence and I think also their shared view with you that at a time when the military is being cut substantially, both currently and prospectively, that there is potential danger in cutting the early warning system, in cutting, as the President referred to it, the first line of defense.

That said, I think we then will be, as I hope you will see in the closed session, we are transferring substantial resources to new priorities. I think it is also incumbent upon us, if we are going to ask to receive essentially the same level of resources, that we have to satisfy you that we are spending them wisely and that we are not just continuing blindly down paths that we have followed in the past.

I will tell you about the NSR. The NSR presented us with 176 requirements. I will go into those in a little detail in the closed session. They are very broad requirements. It is not sort of this specific, tell us how long it will be before North Korea has a nuclear weapon, but rather broad issues like proliferation. There was one category in which the National Security Review was a failure. I inserted into the draft a request of the policy agencies to tell us what we can stop doing. There was not a single submission. Not one. So we have a large number of new requirements in some areas that are non-traditional for the Intelligence Community—the environment, a variety of international safety issues such as the safety of foreign nuclear reactors, what people are doing with nuclear waste, and as I indicated environmental issues, some health issues and so

on—so we have a substantial additional burden that has been placed on us, and I hope that later on this afternoon we can begin that dialogue about how we use the resources that we have.

But clearly the President and the Secretary of Defense and I have the view that with the results of the NSR, that we believe it would be prudent to continue it at essentially the same level. We are not asking for any more resources, and in fact I think in real terms—meaning taking into account projected inflation—the intelligence budget will go down about 2½ percent.

Senator RUDMAN. I have about a minute left, and I thank you for your answer, because I share your view and I hope that we can be prudent in what we do. It's one thing to reduce forces. It's something else to take down the warning systems. To do both simultaneously in equal amounts, I think would be a very big mistake, and we could well pay for it.

One of the things that I learned during your confirmation hearings was a misperception on the part of many that analysis—and in your statement you mentioned how you are going to change that function—is essentially a product of a compilation of empirical data, which you put into a mix or a matrix from which you get an answer. My sense is that that is a small part of analysis, and the larger part of it is based on what I would call the art of deduction from conflicting data.

Is one of the areas that you are directing yourself to is to say to the policymakers, look, there is a lot of deduction here as well as empirical data, and we might think it is going this way, but you, with your broad experience, ought to have a chance to look at the full panoply of alternatives. Never mind footnotes, we'll look at what's going on here, and you make the decision rather than somebody over at the Agency making the decision on what is correct. Are you saying that to us to some extent?

Director GATES. Yes, to the extent that we will try and structure these estimates in a way that they understand what the alternative possibilities are. I do think we always owe them a best case—a best estimate. We always owe them to say this is what we think is the most likely. But we owe them, as I indicated in the statement, we also owe them honesty about what is known and what is being estimated, and the level of our confidence in our judgment. There are some judgments about which we are 90 percent confident, and there are some judgments about which we are 35 percent confident.

So I think we just need to be more straightforward about what we know and what we are estimating and the level of our confidence in all of this. And you know, now we will get policymakers—I'll just take another minute here—we have an educational problem with policymakers. You all think this a great idea, and I have talked to a lot of other people up here who think that it's a great idea. But often when we do this kind of an estimate, what we hear from some of the policymakers is, well, the Intelligence Community is just trying to CYA by making sure that they have got in the record that they have taken every conceivable position on this issue so that they can't be wrong. So we have got some education to do. It is also why we owe them a clear best estimate. But we also have some education to do with the policy community as to what

intelligence can do for them in helping them think through a problem as well as in giving them an answer.

Senator RUDMAN. Thank you very much. And let me say that in my eight months or so remaining here, I intend to stay fully engaged with this Committee and look forward to working with you.

Director GATES. Thank you, sir.

Chairman BOREN. Thank you very much, Senator Rudman.

Senator Kerrey, again we welcome you. Any questions that you would like to address at this point?

Senator KERREY. Well, thank you, Mr. Chairman. Yes let me just ask a couple that actually perhaps betray my newness to the Committee.

But it does—it seems to me that the nature of the threat has changed in a rather substantial fashion. The previous threat was not just a dangerous world, but that the Soviet Union indeed presented a threat to our way of life. They could destroy the United States of America and had declared war throughout the world, not only upon us but upon our interests. And I simply don't see a comparable threat out there. Do you agree with that? I mean, I understand the world is still dangerous, I understand the world is still violent, but it does seem to me that when we are going to taxpayers and asking them for money and we're going to take some of their money and we are going to invest it, understanding, as Senator Rudman said, that we need to be prudent as we make reductions—and I intend to exercise prudence in my decision—it does seem to me that there is no comparable threat remaining?

Director GATES. There certainly is nothing comparable to what we encountered from the Soviet Union. The chances of a war in Europe are I think almost non-existent at this point. I think that the danger of a nuclear—a global nuclear war launched by the Soviet Union or by its successor is highly unlikely, almost inconceivable.

But part of the problem that we have is—two things. First of all, in a complicated world, our way of life is threatened in different ways. I don't want to get into policy issues, but when the United States is deeply dependent for its way of life on imported oil, what goes on in Iran and Iraq and in the Persian Gulf area becomes very important, in terms of our national security and national well being. And that is a current reality. Maybe it will change over time, but that is certainly the current reality.

In addition, we are still, I think, in a very awkward situation with respect to the Commonwealth of Independent States. We are all very gratified and pleased by the direction of events there, by the progress of reform. But the fact is, they still have 30,000 nuclear weapons. The largest and most powerful of those are still targeted on the United States. And I don't know anybody in the analytical community that does not believe that the prospects for reform in Russia depend enormously right now on just one man. And if something should happen to Boris Yeltsin, it's not clear what kind of a government would come to power in Russia. But that government would have access to those nuclear weapons.

So what I was trying to say in my prepared statement is all the trends in terms of both the Commonwealth of Independent States and in the world in general in many respects are very encouraging.

And we are going to need to change our approach to this, both institutionally and in reality probably fiscally. But we need to gear those changes to the real changes that are taking place overseas, and not our hopes about what is going to evolve down the road two or three or four of five years from now.

Senator KERREY. Well, I am going to insert not only for the record but for your information, that I have strong reservations about this notion that reform in the Commonwealth of Independent States depends upon one man. I mean, that is what Lyndon Johnson said about Barry Goldwater in 1964, that's what Jimmy Carter said about Ronald Reagan in 1980. I mean, the fact is any time you look to have a democratic change there is always a representation that the change is going to be dangerous. And so, it does seem to me that what is at stake here is democracy is trying to make democracy itself not only work, but work well enough so that you don't have fear about that transfer of power and that change of power. Now perhaps I am mistaken about the fragile nature of democracy in the Commonwealth, but I do think it is a dangerous thing for us to simply focus on one individual and say that that individual himself becomes a paramount concern.

Could you respond to that, perhaps enlighten me as to whether or not we have a disagreement?

Director GATES. Well, I think in principle I certainly don't disagree with you. I think they have made extraordinary progress in the development of political democracy in Russia in particular. But the roots are very, very shallow at this point and there is no other politician with the kind of leadership skill or popular following or a feeling for how much the Russian people can take in the way of sacrifice. And there are a lot of cross currents at work in Russia right now of different groups and extreme nationalists and a lot of economic problems. This is a country that for all practical purposes has not known political democracy in its entire history of a thousand years. So it is going to be hard going for them in any event. I just would feel more comfortable if there were a couple of other leaders in Russia who had the kind of popular following and sense of commitment to political and economic reform that Yeltsin does at this point.

Senator KERREY. Can you, Mr. Gates, talk a little bit about increased use of open information? I am thinking in particular that not only do we sometimes find ourselves wondering how journalism acquires secret information, but it is also of interest to me that very often, journalism acquires information that is not secret that is just as valuable. I think in particular lately the reporting that has been done by Chris Hedges in the New York Times of activity in southern Iraq and in northern Iraq. If he survives, he ought to win a Pulitzer for what he has produced so far. But it seems to me that this kind of information coupled with information that can now be acquired through just general business activity can be extremely valuable and might in fact offer opportunity even for replacement intelligence.

Director GATES. I think it is very true that open source information is very important to us. I have to admit from time to time over the last several years being very jealous occasionally of journalists—of journalists who can just walk in and have an interview

with Yasser Arafat instead of some of the things we have to do to figure out what is on his mind.

Clearly, as we are asked to work on a range of issues from economic intelligence to the environment to even political and economic developments in many of the new republics of the Commonwealth, the availability of open sources is a tremendous asset to us and one of the reasons why I am taking the organizational steps that I am to better organize the way we go about collecting or acquiring open source information is so that we don't waste resources by using expensive signals intelligence or human assets when in fact all we have to do is buy a magazine or a newspaper to get the information we are after.

Senator KERREY. Yes, I am not arguing that there is no need for clandestine collection. I am just arguing—

Director GATES. No, I understand.

Senator KERREY.—particularly with scarce resources that there may be some need to reduce overall collection so that you can target better, given that there is a tremendous increase in access to information that we had not been able to get prior.

Mr. Chairman, back to you.

Chairman BOREN. Thank you very much, Senator Kerrey.

Senator Warner?

Senator WARNER. I thank you, Mr. Chairman, and I apologize to our distinguished witness for my inability to stay throughout your presentation, but you are familiar with the lifestyle here.

Now first, this morning I was privileged to be among a number who visited with the President concerning his proposal, one which I endorse and indeed one which I participated in with other Senators in encouraging that he go forward to assist several of the Commonwealth States—namely, Russia, the Ukraine, and perhaps others in time. And I have since had the opportunity to go back and study the documentation accompanying the bill which, although it has not arrived, will arrive within 48 hours. And I went back and reexamined the legislation referred to as Nunn-Lugar which I was part of the active steering force here in drafting, and looked at the conditions that we set forth in that legislation and then compared it with the approach that the President is taking in this new piece of legislation, which is somewhat different. But I won't go into the specifics of the legislation. I wanted to say that by way of background to frame my question.

My question is as we approach the issue of further assistance to the several state, republics, and we do that with other nations, what further assurances can we expect from them that they will increasingly cut back their percentage of GNP going into defense systems, which systems really have only relevance to their former threat from the West.

Examples. Submarine construction. We had a hearing in the Armed Services Committee today specifically directed towards the recision order to stop the Seawolf Program. Well, that particular program was designed as a deterrence against at one time the ever growing Soviet navy and more specifically their tremendous advancements in submarine technology. But that in my judgment should go by the boards now in terms of Russia and perhaps the Ukraine, the only two of the republics that have any interest in

naval forces. My point being, should we not exact from the several Soviet republics some firm commitment to provide part of their GNP for defense, only as that defense relates to a specific threat and not the West, the West now stepping forward to give them assistance.

Did you participate in the formulation of this package? Did you have any input as to the analysis of what they were likely to do, the several republics, in terms of their defense expenditures and how that related to extending one hand now to receive assistance from the West and the other hand taking their rubles and continuing modernization of their defense programs. We know, for example, that commitments were made last year or right after the coup and so forth and the break-up began to occur, we're going to cut back. And I can point to where some of those programs are still under way, or at least they haven't been attenuated to the degree that this Senator is satisfied.

My concern is the American public is going to say, all right, Mr. President, we want to back you. $5 billion is our share against the total of 24, but I am told that they are still building or modernizing the 18's, still doing some modernization on the 25's, 24's or whatever the case may be. Still under—they have construction, which submarines are designed exclusively to combat whatever threat the West once presented.

So my first question, did you participate in the analysis of this package and if not, or if you did, what can you tell us about the future of their military programs and how that does or does not conflict with the aid package we are extending?

Director GATES. The Intelligence Community did participate in the formulation of the—or in the interagency meetings that led to the formulation of the package. The information that we provided had to do with our evaluation of defense expenditures that we thought are being made by the different republics, Russia in particular. And I am drawing on memory now, but if memory serves, what we have told them is that Russian defense expenditures this year, for example in the first quarter procurement will be down some 855, procurement of military equipment. And based on what they have budgeted, the Russian defense budget for this year will be no more than half of what the Soviet defense budget was last year. And that is if the other republics contribute their share for the Commonwealth forces. And we don't think that is going to happen. So you are looking at a defense establishment that in the space of one year has probably had its resources cut by better than half.

We see a number of strategic programs in particular being discontinued, although there are some that are being continued. We have no—again, I am calling on memory, so I may be inaccurate, but I don't think so—we have no Soviet ballistic missile submarines under construction today for the first time in 30 years. We believe that they are approaching the end of the building of——

Senator WARNER; That's interesting, because when I visited the Russian republic with Senator Nunn here two weeks ago, I asked the questions and I didn't subdivide it between attack and ballistic. But I was told that they were going to continue their submarine construction program, quite frankly not because of any threat from

the West, because they didn't know how to deal with the massive unemployment that would be associated with an abrupt termination.

The Ukraine on the other hand has abruptly terminated construction of surface vessels for the naval purposes and begun conversion to fishing and tour—you know, tourism ships, cruise ships. So—but you are saying to the best of you knowledge then they have stopped all production of the missile class——

Director GATES. Of the ballistic missile submarines. They may well be continuing the attack submarines. I think that they are tailing off and may end their production of strategic bombers. They have stopped producing several different kinds of ICBM's. Although they do have follow-on systems for the silo-based SS-24, the SS-25 and then the SS-N-20 naval missile. So they are continuing a few modernization programs.

But our estimate is that the number of modernized systems that they have that will go forward is going to be very, very limited.

Senator WARNER. But what is the mentality that says to them that they have got to continue to expend those very scarce rubles or whatever you call it, to continue whatever modernization they wish to in strategic, and at the same time plead for and accept assistance from the very persons who are targeted by those systems? I mean, what is the logic?

Director GATES. Well, I am not sure that there is a particular logic to it. I think what you have is a country that is dramatically cutting defense expenditures. They realize that economic reform depends on cutting those defense expenditures but at the same time they have a very large military and they have a very large defense industrial complex, and there is a certain inertia in these programs as well as——

Senator WARNER. I agree with you.

Director GATES.—as well as the desire to keep people employed so that they can keep eating as a matter of political stability. I think that the key question will be the trend lines in these programs and certainly——

Senator WARNER. Well, let me just quickly cover that question. Are we working on some means by which to be more convincing that we do not pose a threat militarily to the survival of these several republics? In which case it might serve as a basis for further downsizing their forces, particularly strategic? I intend to work on this issue as this legislation comes up. I hope to make a Floor statement on it today, because I was somewhat disappointed we didn't cover it more thoroughly in the meeting with the President this morning.

I have but just a minute left and I must shift to the second subject I raised in my opening statement, namely the program initiated by your predecessor whereby at 22 offices at that time would be consolidated into two. And you have, as you stated in a letter, and I appreciated the courtesy of your personal communication to this Senator and others, as a matter of fact, that you had to suspend that program. But have you thought through a period in time that you might go back and re-examine it, because as I go back and re-examine the predicate, the basis for the consolidation, much of it still remains, i.e., over crowding, increasing difficulty of providing

security in the 22-odd buildings, the inefficient use of time in traveling to and from multiple locations. So it seems to me that there is still an inherent inefficiency and insecurity in your organization, and therefore I am wondering if you have begun a process by which you might retrench your thinking at some point in time given fiscal and go forward with some consolidation program to lessen the pressures that gave rise to the initial program.

Director GATES. Senator Warner, the rationale for the program that led to the decision to go forward with the facilities consolidation remains just as real as you describe it. We have a number of facilities. It represents a continuing cost to us in lease costs and rentals. It—these facilities are scattered, which creates security problems. There are a lot of inefficiencies in it. The fact is, however, that in the current budget environment and as they came to me with—the people who were doing the planning came to me with significantly increased cost estimates and a new budgetary expression I had not heard before, "a conceptual cost estimate," which sounded to me like a formula for significant further growth in costs beyond the $200 million that had already taken place before we had even chosen a site. With the current budgetary uncertainties it seemed to me that it simply was not possible for us to go forward.

I think that until I have a better sense of the budgetary environment, of what the resource availability is going to be for both CIA and the Intelligence Community looking out for the next several years, that it would be unwise to make a long range commitment. I am hoping that in the next couple of years that circumstances will settle down enough that we will have an idea of what kind of resources we can be looking at for the next longer period of time. But I think it requires a more predictable budgetary environment before we make a large commitment.

Senator WARNER. I thank you. And needless to say, it had a very negative impact on some planning of the private sector in my state, both for the Prince William site and indeed the one to be located in West Virginia, because the West Virginia site had many infrastructure related economic impacts on the contiguous area of Virginia to West Virginia. But as I said in my statement yesterday, it was a prudent decision in view of the uncertainties of the budget. But I would just hope that you could somewhat reduce that period of several years within which you might again address the rationale for the original decision to have a consolidation.

Director GATES. Yes, sir.

Senator WARNER. To alleviate the hardships which a number of your employees are now enduring for the reasons you stated.

Director GATES. And I very much regret the inconvenience and the disappointment to which the local people were put in all of these locations in the hope that there would be relocation there, and I guess on behalf of the Agency I apologize to them for that inconvenience.

Senator WARNER. We thank you. And I thank you, Mr. Chairman, and our distinguished guest from the House.

Chairman BOREN. Thank you very much, Senator Warner.

I would, without objection, place a number of documents received by our Committee into the Senate's record of these hearings. These all relate to reorganization proposals.

A letter dated February 24, 1992, from William S. Sessions, Director of the Federal Bureau of Investigation, to the Committee.

A statement dated March 4, 1992, submitted to the Committee by former director of Central Intelligence William E. Colby.

An article entitled "The Intelligence Community in the New World Order" by Ray S. Cline, and submitted to the Committee by Dr. Cline.

A statement dated March 11, 1992, by former Assistant Secretary of Defense Donald Latham.

A letter dated March 23, 1992, from David D. Whipple, Executive Director of the Association of Former Intelligence Officers, transmitting the views of the Association on the legislation.

A letter dated March 30, 1992, from John E. Morrison, Jr., Vice President of the Security Affairs Support Association, transmitting the view of the Association on the legislation.

A letter dated March 13, 1992, from Morton Halperin, Director of the Washington Office of the American Civil Liberties Union, and Gary Stern, Legislative Counsel, transmitting the views of the ACLU on both S. 2198 and S. 421. Memo dated February 20, 1992 from ACLU on S. 2198 and H.R. 4165.

And last, a letter dated March 26, 1992, from David MacMichael, Director of the Association of National Security Alumni, transmitting the views of that association on this legislation on reorganization issues.

[The documents referred to follow:]

Chairman BOREN. Again, let me thank you, Director Gates——

Senator WARNER. Mr. Chairman, would indulge just one more minute?

If some of the ideas that we have been talking about in the imagery arena that are not in the task force report end up bearing fruit, I think there will be some transfers of assets from the tactical programs into the National Intelligence Programs for management purposes. Again, we are just looking at it so I don't know. But it is a very real consideration.

Senator WARNER. I thank you. And I commend you on the job that you are doing.

Chairman BOREN. Thank you, Senator Warner.

I must say in all candor, though, that I think that the Committee, when we look at the budget for this year, will begin a process that I think is absolutely essential, given the current budgetary situation, of downsizing and shrinking the Community to some degree. I am not convinced myself that in some areas small may not be better. In this country with limited resources, we are having to go through this kind of adjustment in the private sector as well. I am asked constantly by companies that are having to downsize, streamline, and restructure and very often they operate more cost effectively, why we cannot take on some of these same tasks in the public sector. I think we not only can, I think we must. And I think that this is one area where we also must do it.

Now I am not suggesting that we should have parallel reductions with the Defense budget because as we have a shrinking Defense force, as has already been said, intelligence is a force multiplier. The smaller your defense force, the less forward positioned it is around the world, the need is for better intelligence, not for less intelligence.

So I realize we must be very, very careful in what we do. But I think that the Community must realistically assume that they will not be exempt from budget cuts. It is highly unlikely, I have to say, that the President's budget, as sent to us, will be adopted by this Committee. If it is, it will be without my vote in terms of the total dollars that are recommended in it. There are going to be some cuts. Our job is to make sure that we do not have the quality of the product suffer as a result of those cuts, that they are made wisely, that our resources are marshalled as well as they can be, which is one of the reasons why we need the best structure we can have. I realize the first choice of the Director and of the Community may be to have no cuts from the President's budget, but given the fact that there probably will be, let me say that we will value your advice as to where they can be made in a way that will do the least damage. And I think realistically, even if the Members of this Committee were to decide that there should be very small cuts, I don't think that the full Senate or the full Congress would stand still for that decision when there are so many reductions of resource for other functions.

Senator Cranston has indicated to me that he would like to have a brief question.

Senator CRANSTON. I would like to get your thoughts or to get you thinking about one other realm where the CIA might do something that could be very constructive. I believe you mentioned that

the UN is just beginning to live up to some of the goals or hopes that the founders had. It is conducting some very effective peacekeeping work now in several trouble spots around the world. The President just requested Congress to come up with some money for our dues to support the peacekeeping effort, and the Congress is today voting $270 million for that purpose.

I don't believe the United Nations has any significant intelligence resources that would alert it to trouble spots where maybe an intervention by it could prevent some catastrophe or conflict from occurring. Do you think that the United States, through its intelligence gathering agencies, in concert with the State Department or NSA or whatever, might possibly, along with other major countries that have major intelligence services, provide some information to the appropriate people at the UN about trends or developments of which we become aware, that might, if dealt with by the UN, prevent conflict from developing.

Director GATES. Senator Cranston, I would be more than happy to answer that question. I think I have a very good answer to that question, but I would prefer to do it in a few minutes in the closed session if that would be all right.

Senator CRANSTON. Fine.

The only other question I have got is this. A little more than one week ago, on March 23, Beijing accepted adherence to MTCR guidelines and parameters. Since that time, are you aware of any intelligence that would indicate that China has sold or accepted an order to sell to any nation ballistic missile related components which exceed the parameters specified in the Missile Technology Control Regime?

Director GATES. Let me address that also in the closed session, please.

Chairman BOREN. Surely.

Senator WARNER. As you know, on the Armed Services Committee, we are monitoring this 5 percent reduction per year of the armed forces of the United States. A proportion of those cuts has to be absorbed by the respective Naval Intelligence, Army Intelligence, Air Force Intelligence. And listening to your excellent presentation today, whereby basically you justify your budget, I think in a very strong sense, I say to myself, if they are moving that far down in the Pentagon, are some of those responsibilities and work load then by necessity being shifted over to the CIA structure? And wouldn't that be a further justification for some of your—not some, but your strong stance on maintaining the President's number in your budget?

Director GATES. I think that the analysis that you have made is an accurate one, Senator Warner, and I would give you one example. And that is the decline in tactical imagery assets in the Department of Defense. The disappearance of squadrons or wings of reconnaissance aircraft, like the old RF-4's and so on that used to exist. They have some, but there is a real decline in that. And increasingly the tactical airborne capabilities that are available other than battlefield capabilities are contained within the National Foreign Intelligence Program, such as the U-2's and the TR-1's that are in the General Defense Intelligence Program.

Chairman BOREN. I want to call on Chairman McCurdy for any concluding questions or comments that he might have and again thank him for participating in this joint hearing with us. I think it has been very valuable. People often ask, can Members of Congress work together in a bipartisan spirit, can the two Houses work together, can the Executive branch, can both ends of Pennsylvania Avenue work together? I think we are demonstrating by this meeting and the tone of it today that it is possible and indeed that a lot of good comes from that kind of cooperation and communication.

So I want to thank him and also thank the Director for participating in this joint hearing today. Chairman McCurdy?

Representative MCCURDY. Thank you, Mr. Chairman. And I too, want to commend the Director for your appearance today and your statement. It was very thoughtful, and again, I'll be the first to state that I believe you have come a long way and that you are pressing in the right areas. You may not have gone as far as we like, but I think we will continue to assist you in that move.

I also want to echo the statement of my distinguished colleague from Oklahoma, Senator Boren, in referencing the budget. It's clear, it also has to start at home, and this year the House Intelligence Committee—and I would submit this for the Senate, not to place pressure on you all because you have your own Committees over here—but the House Committee was the only one in the Congress that cut its own operating budget by 12%. We believe that there will have to be reductions. Not of the magnitude that will be hitting the Department of Defense, but there will be reductions. The concern that we had, when we introduced this legislation, was that indeed the requirements and the challenges facing the Intelligence Community may in fact be greater than they were during the Cold War, but they will have to be met with fewer resources. And that requires, I would dare say demands, that we develop the most efficient organization possible.

I believe you are moving in that direction, but I still believe that in many areas, the Congress will have to take action that will enable you to overcome some of the bureaucratic turf problems and obstacles that may arise, and have already arisen, in your efforts. Again, we have to give you good marks for coming this far. We applaud not only you, but also those people who have worked tirelessly in a very short period of time in order to bring these recommendations forward. For that, you have our thanks.

Again, I just want to say to my colleagues in the Senate, it has been a pleasure. Some day we may reciprocate on the House side and we do thank you for your cooperation as well.

Chairman BOREN. Thank you very much. As we work on this project together, there are many opportunities to pool our thinking. I want to underline what Chairman McCurdy just said. We realize that the recommendations you are making today are not only the product of a lot of hard work by you and your immediate staff, review work by the National Security Council, members of the Cabinet, the President himself in terms of giving his approval to these recommendations, but a lot of work by a very talented group of people that have worked with you on these task forces and otherwise have supported the work of these task forces from throughout the Intelligence Community. Their dedication and the quality and

caliber of their work is very much reflected in the excellent reports that have come out of these task forces.

I agree with what Senator Rudman said. I think that the document that you presented us with today is a remarkable document. I think it represents tremendous progress in terms of restructuring the Intelligence Community to make it not only more cost effective but more effective in general in terms of the quality of the product. And I congratulate you for your leadership within the Administration on these issues. I think there is much common ground between the areas that were identified in the original legislation and the plan that you've brought to us.

I would urge that we keep an open mind about some of this being enacted into legislation, because I understand, it's part of the theology of the White House legal counsel and Office of Legal Counsel, and that's not only true in this Administration but any Administration, that it's preferred to rule by Executive Order rather than by any statutory language.

Having served both in the Executive branch as a governor and now in the Congress on the other side, I understand both perspectives. But I do think there are areas where we should move forward legislatively, doing so in a way that allows a full range of flexibility to the Executive branch to act, to you, to the President, to others who must implement these decisions.

So I would again hope that an open mind will be kept on these matters that we will be able to submit proposals that would enact some of these changes legislatively for your consideration, for you to discuss with the President and others. We will be very open to your response in terms of making these legislative proposals as flexible as possible with as much discretion as possible to the Executive branch to carry them out.

The one area I suppose that is the greatest disappointment to me—again, it is because it involves not only critical information, the ability of systems to talk to each other in time of war where lives might be at stake, but also because it involves huge amounts of funds, taxpayers dollars on a very large scale—is the whole issue of imagery. I would just say that that is an area, unless the Executive branch comes back with a better answer than we have now, where I think we just owe it to the taxpayers to try to press ahead with a better solution, one that would bring about a greater level of coordination. I know this is a collective decision that must be made in the Administration. You are one of several people that must be involved in this decision, but I would urge you to discuss this further with the President and with your colleagues in the Administration to see if you can come back with a better answer. I think what is being proposed here is a tiny step in the right direction but I think it falls far short of the progress frankly in the other areas of the plan which I think are very substantial.

So overall, I certainly congratulate you on this effort. I think you can tell that your proposals have been very well received by the Members of these two Committees today. You've made a real contribution to our national security interests in coming forward with these proposals. I hope you will convey to the President our appreciation for his being a part of this process.

As I indicated to him when we introduced the legislation, we were seeking a dialogue because we really did want to come up with a proposal that would be enthusiastically embraced not only by the Congress but obviously by the President himself and by the members of his Administration. We seek a continuation of that kind of dialogue. We have already come a long way. I think we are very close to a lot of common agreement about what should be done. And now I think our challenge is just to push that other 10 or 20% of the way in terms of talking about what should be legislated, what should not be legislated, and making some progress at the margins and in this one essential area that I think we still need to rework.

We have come a long way and I certainly congratulate you for it and thank you for it.

Director GATES. Thank you, sir.

Chairman BOREN. We will now convene briefly next door in 219 to complete a few classified questions and any additional comments that you feel you should make to us in closed session that might have been stimulated by questions in open session.

I again thank my colleagues from the House, all my colleagues, for their participation.

[Thereupon, at 4:55 o'clock p.m., the Committee was recessed.]