

104

# WORLDWIDE INTELLIGENCE REVIEW

Y 4. IN 8/19: S. HRG. 104-15

Worldwide Intelligence Review, S.Hr...

## HEARING BEFORE THE SELECT COMMITTEE ON INTELLIGENCE OF THE UNITED STATES SENATE ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

ON

WORLDWIDE INTELLIGENCE REVIEW

TUESDAY, JANUARY 10, 1995

Printed for the use of the Select Committee on Intelligence



MAY 24 1995

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# WORLDWIDE INTELLIGENCE REVIEW

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TUESDAY, JANUARY 10, 1995

U.S. SENATE,  
SELECT COMMITTEE ON INTELLIGENCE,  
*Washington, DC.*

The Select Committee met, pursuant to notice, at 9:31 o'clock a.m., in Room SH-216, Hart Senate Office Building, the Honorable Arlen Specter, Chairman of the Committee, presiding.

Present: Senators Specter, Lugar, Shelby, DeWine, Kyl, Mack, Cohen, Kerrey of Nebraska, and Robb.

Also Present: Charles Battaglia, Staff Director; Chris Straub, Minority Staff Director; Britt Snider, Chief Counsel; Kathleen McGhee, Chief Clerk; and Don Mitchell, professional staff member.

Chairman SPECTER. The hour of 9:30 having arrived, we will begin this traditional hearing of the opening of the Senate Intelligence Committee on the global security threats to the United States.

We have with us the Director James Woolsey, and I begin by welcoming the new Members of the Intelligence Committee and the continuing Members of the Committee. I had served on the Intelligence Committee in the past and return now. Along with Senator Robert Kerrey of Nebraska who is the Vice Chairman.

We have new Members on the Committee. Senator Shelby, Senator DeWine, Senator Kyl, Senator Inhofe, Senator Hutchison, Senator Mack—and Senator Cohen is both new and returning—and we have Senator Robb as a new Member. And we have returning, Senator Lugar, and Senator Glenn, Senator Bryan, Senator Bob Graham, Senator John Kerry, Senator Baucus and Senator Johnston.

The importance of our Senate Intelligence Committee I think all would agree is second to none. There is no more important Committee. The intelligence function is vital for national defense and gathering information on the world wide threat. It is also vital for domestic security, although its function inside the United States is limited. But the threat of domestic terrorism is a major problem and it has significant responsibilities there, illustrated by the trial about to start on the World Trade Center bombing.

At the outset, I know I speak for all Members of the Committee in pledging our cooperation with President Clinton to work in a joint way on matters which affect the work of the Committee. There are many key issues which will be facing the Intelligence Community, as there is a Presidential Commission now starting to work; there is the overall matter of redefining or perhaps sharpening the definition of the mission of the Intelligence Community with the demise of the Soviet Union.

Notwithstanding the demise of the USSR, there are continuing threats. Dismantling of nuclear weapons in Russia, the Ukraine, Kazakhstan, problems of nuclear weapons in many parts of the world, including North Korea and Iran and Iraq; the continuing issue of international terrorism, international drug trafficking, conventional arms proliferation; and perhaps the one issue which is on the uppermost of our minds is the Aldrich Ames case and how we assure that that will not reoccur.

[The prepared opening statement of Chairman Specter follows:]

OPENING STATEMENT BY CHAIRMAN ARLEN SPECTER

It is fitting that the Committee meets publicly today to begin its work for the 104th session by hearing the Director of Central Intelligence's views on the most important issue for our country—the national security threats to the United States. These threats play an important role in defining our country's foreign policy—they form the foundation for all our military, foreign policy, and economic planning. It is therefore essential that the Intelligence Community provide our nation's policymakers with the most accurate and timely assessment of these threats as possible.

When I first came to the Senate 14 years ago, this oversight committee was still in its infancy. At that time, the U.S.-Soviet military and political rivalry was the prism through which American policymakers viewed most—if not all—national security issues. Needless to say, times have changed. The Cold War is over—and with it, the underlying assumptions that have guided America's national security infrastructure for almost half a century. Yet despite the fact that the Berlin Wall was torn down years ago, the U.S. national security establishment is still in the process of redefining its mission.

Along with this dilemma, the Intelligence Community is increasingly being forced to justify its budget—and therefore its role—in public. This pressure for greater openness will persist for a long time to come. And this, I believe, is as it should be. To the fullest extent consistent with the protection of sensitive sources and methods, Americans should be made aware of what the Intelligence Community is capable of accomplishing. I believe that it is a success story that, to a great extent, can and should be told. This public hearing is conducted in this spirit of educating the American public about the vital role intelligence plays.

Today's hearing marks an end, as well as a beginning. Director Woolsey, we are grateful that you have agreed to appear before our Committee one last time. Your hard work and dedication as Director of Central Intelligence is appreciated. I'm sure my colleagues on the Committee wish you nothing but the best in your future endeavors.

I would also like to welcome the new Members to this Committee. I look forward to working with each of you over the next two years. I truly consider intelligence to be a nonpartisan issue. In that spirit, I look forward to a close and constructive working relationship with my friend, Senator Kerrey of Nebraska—the new Vice Chairman of the Committee.

Director Woolsey will provide the Committee with a 5-minute summary of his written testimony, and then we will open the session to 5-minutes of questions from each Member of the Committee. In recognizing Members for questions, the Chair will adhere to the "Early Bird" rule—Members will be recognized in the order in which they entered the Committee Room.

We are also pleased to have with us today Lt. General James Clapper, Director of the Defense Intelligence Agency, and Assistant Secretary of State for Intelligence and Research (INR) Toby Gati. They have both submitted written testimony to the Committee, and we will invite them to the witness table as appropriate to respond to Member questions. General Clapper and Secretary Gati, thank you for joining in today's hearing.

Chairman SPECTER. Before hearing from the Director, I now turn to my distinguished Vice Chairman, Senator Kerrey.

Vice Chairman KERREY. Thank you very much, Mr. Chairman.

First of all, let me say that I do genuinely look forward to our service together. This is a great time of challenge and change for intelligence, and much will be demanded of the Senate Select Committee on Intelligence. But under your leadership, we are unques-

tionably up to the task. The Committee will accomplish great things on your watch, and I am grateful for the chance to be a part of this effort.

I would like to say a word briefly about the service of our witness to this country. Jim Woolsey deserves the nation's gratitude. He took on one of the toughest jobs in government: he made a lot of difficult decisions, he accelerated the process of change at CIA and the other agencies, and he made himself more knowledgeable about intelligence technology than any DCI in memory. I appreciate his service to this country and I wish him well. I am glad he is with us this morning because his counsel on the threats facing our country has special credibility with me.

The starting point for discussing intelligence, the starting point for the exercise of our constitutional responsibilities as the elected representatives of the people, is a recognition that there are forces and trends in the world that threaten America. The next step is to array those threats in terms of the dangers they pose. Some of them may threaten the independence and freedom of our country. Others may threaten American lives. Others may threaten American livelihoods. We have the duty to tell the difference, and to accord higher priority to one threat than to another. If we don't, then the third step in the process, which is the allocation of taxpayer money to predict, warn against, and counter those threats, will be ineffective.

One of our most important tasks in the post-Cold War world is to rebuild the consensus of support in this country for intelligence. If we inform the American people about the very real threats that our country faces, and if we demonstrate that we are spending their money responsibly so their government can counter those threats, we will see a new consensus of support for this most necessary function of government. If we don't address the threats in specific terms, if we settle for fuzzy, undifferentiated analysis that gives equal weight to all the problems in this disorderly world, we are postponing the restoration of that consensus. That is why ours should be a threat-driven process.

Mister Chairman, there are other qualities I hope will be hallmarks of our process this year. We should be constantly alert for redundant or marginally useful activities. When we cut or add funds, we should do so in specific programs for clear reasons, not on a percentage basis. We should pay close attention to the views of the Intelligence Community's customers. And we should ask ourselves the question: is intelligence useful to them, and how could they be better served? We should be the champions of new intelligence technology and the companies that create it.

Recognizing that we deal with the most sensitive information of any Committee in the Senate, we should nonetheless be as open as we can possibly be.

We should also support the brave and talented people of the Intelligence Community. We are their authorizing Committee, too, and I hope that praise, when it is warranted, will flow from us as freely as criticism usually does. One way we can support those people is by ensuring they work in a competitive, bias-free environment. And I know that is a priority for you, Mister Chairman, and it is for me as well.

The Intelligence Community is really government in the business of informing. Its audience is small and exclusive—the nation’s policymakers and military planners—but it informs that audience very well. Whether they want to listen is another question. In my view, government’s responsibility to inform extends across all agencies and indeed all levels of government. Some national security information and some information that affects privacy fall in a special category, but our principle ought to be that the people have the right to know what their government knows. In a democracy, this is a sacred right, and I view the government’s obligation to inform as being equally sacred.

I admire what journalism and commercial information sources have done. But the American people have already paid for the information their government possesses, and they should not have to pay again, or sit through a commercial, to get it.

State governments have been imaginatively moving information to their citizens in new ways, and the information ice jams that have broken in the Federal government, too, are encouraging. We tend to forget that the Internet, which is so useful to millions and growing every day, started as a government activity. Congress, true to form, is the last to get with the program.

The Intelligence Community has been much more informative to the public during Director Woolsey’s tenure than ever before, but I think he would agree we have a long way to go. The obligation to inform is a shared burden of government, and the Intelligence Community does not carry it alone. What the Community does carry is a great deal of useful information and some effective methods for storing, transmitting, and presenting information. I will continue to press for greater public benefit from those strengths of the Intelligence Community, just as I will support the Community’s access to the best techniques available from the commercial world.

Thank you, Mister Chairman.

Chairman SPECTER. Thank you very much, Senator Kerrey.

Director Woolsey, we will now turn to you. Your full statement will be made a part of the record. As is the custom, we would appreciate it if you could limit your opening remarks to 15 minutes, and the Committee will start with seven minute rounds from each Member.

The Floor is your’s, Mr. Director.

[The prepared statement of Director Woolsey follows:]

WORLD THREAT ASSESSMENT BRIEF—STATEMENT BY R. JAMES WOOLSEY, DIRECTOR  
OF CENTRAL INTELLIGENCE

Mr. Chairman, it has come to be fashionable in the last few years to make three related assertions about the CIA and US intelligence in general. The first is to contend that what is needed for intelligence today is a single, unifying vision of a mission to replace the mission of countering the Soviet Union during the cold war. The second is to contend that, since it is impossible to find any single treat as serious as the threat of nuclear holocaust that was once posed by the Soviet Union, then there is a vastly reduced need for a CIA or a US intelligence community. The final assertion is that there has been no substantial effort to reshape the CIA or American intelligence in general in the post-cold war era, and that this is further evidence of their irrelevance in today’s circumstances.

In my judgment each of these assertions is fundamentally false and, collectively, they present a highly distorted view of how intelligence should be assessed in today’s environment.

The cards that history has dealt us today are not those of a single clear threat—of the sorts that the West has faced for the last sixty years or so from, first, the axis powers and then from world communism. The cards that we must play today resemble more those that our predecessors who had to make decisions in the twenties and early thirties saw—a far more confusing picture. We risk seriously distorting reality if we tell ourselves that we must find in today's world a single, coherent, unifying threat and that, if we cannot do so, we can safely abandon many of our efforts to understand the world outside these shores. The conscious rejection of efforts to understand the outside world in the twenties—perhaps best symbolized by the Secretary of State's closing down the Department's codebreaking efforts, saying that “gentlemen don't read one another's mail”—helped contribute to our myopia and sluggishness as the world turned horrid in the thirties. If history teaches us anything about intelligence, it is that it is the height of idiocy to ignore an outside world that presents multiple dangerous problems because no one problem is yet serious enough to dominate our interest. That is, indeed, an excellent way to ensure that we will be uninformed and unprepared to deal with the next major threat to our security.

A world power with global interests must be as fully informed as it humanly possible about such dangers as the threats that rogue states—e.g., North Korea, Iran, Iraq, Libya—pose in their regions, the efforts of such states in the proliferation of weapons of mass destruction, their sponsorship of terrorism, and the like. We must understand these, and the uncertain future of giant nations such as Russia and China, as well as we possibly can so that by diplomacy, coalition building, deterrence, and military action where necessary we can, with other democratic and peace-loving nations, help shape events in such a way as to promote peace and our security.

To do this, we must have flexible, responsive, and economical intelligence collection and analysis in this age of uncertainty and strapped resources. That is why the intelligence community has underway such major steps to reshape itself to be able to deal with this new world. Mindful of the need for economy, we will reduce personnel by around 23 percent in the 1990's, nearly double the target that most of the rest of the government has been striving to reach under the National Performance Review. Pursuant to a plan that I put together in 1992, before I became DCI, at the request of my predecessor, Bob Gates, we are in the midst of cutting the number of reconnaissance satellites nearly in half and making even deeper cuts in ground stations. Similarly radical restructuring is well underway for our other two major networks of collection and analysis with world-wide reach—signals intelligence and human intelligence.

But further reductions can begin to undercut our ability to use innovative technology to assist imagery and signals collection and espionage, and, in particular, to do so in such a way as to prevent our adversaries—whether they be rogue states, weapons proliferators or terrorist groups—from denying us critical intelligence. Our collection systems must be capable of thwarting increasingly sophisticated efforts on the part of our adversaries to engage in denial and deception practices—concealing their schemes and efforts to undermine our interests or to put our citizens in harm's way. Indeed the degree of sophistication practiced by some regimes is such that we often need intelligence from more than one network in order to uncover plans of those who resolutely mask their actions—e.g., Libyan construction of another chemical weapons plant.

Thus, even as all three of these intelligence networks are slimmed down they absolutely must be modernized. If we modernize wisely and build the proper degree of flexibility into our efforts, we can continue to design these networks to give us the information to help us manage major crises—including those that flow from proliferation or terrorism—and support military operations effectively. As an added benefit we will be able, in normal times, to use these networks to learn much that is of great use to our country on other subjects—e.g., where the world's poppy and cocaine fields are located, or when a foreign company is trying to bribe its way into a contract to the detriment of American companies that play by the rules.

I might add that it is these three superb networks for the collection and analysis of intelligence—not the ancillary issues that often shape public discussion of intelligence issues—that largely set the size, scope, structure, and cost of the US intelligence community. And it is these three networks, along with the capabilities to collect and analyze other information, that will be vital in dealing with the enduring challenges I will address today.

Let me give you a recent example of how these networks of intelligence collection and analysis were of invaluable use to the country during a one-month period last fall. During October, the President had to deal with three challenges simultaneously: Iraq's movement of two elite Republican Guard armored divisions to the

border with Kuwait; North Korea's shutting down its nuclear reactor and extracting the reactor's fuel rods; and Haiti's continued defiance of United Nations calls for the restoration of democracy in that country.

In each case, the men and women of the intelligence community worked around the clock supporting the President's senior advisers to help resolve these crises.

When Saddam sent two Republican Guard divisions racing to Iraq's border with Kuwait, the President needed solid evidence right then, not our assurances that we would at that point rush to the scientific laboratories and begin to design satellites. When Ambassador Gallucci entered the critical stage of his negotiations with North Korea, he needed strong analytical support, not promises that we'd get back to him once we trained our scientists and linguists. (The Korean Task Force we established included people with decades of experience dealing with Korea, including fluency in that language.) When the President was preparing to send military forces to Haiti, our military commanders needed the critical intelligence which we provided, at the Pentagon, at sea, and on the ground in Haiti itself—not promises that we'd sit down and design communications links between intelligence and the armed forces.

Every day each of us makes decisions affecting our lives, and we make them based on our judgment and on the facts available to us. Why shouldn't we do the same with the nation's security? To those who would make massive reductions in our intelligence capabilities, I would ask, are you that certain that the world will remain tranquil? Are you that confident that we can make decisions without intelligence information? Are you that sure that we can handle rogue states like Iran, Iraq, or North Korea, more than two dozen states engaged in developing weapons of mass destruction, international organized criminal groups, or terrorists simply by taking off the shelf and dusting off an intelligence community that had been left to wither away, because the single overriding threat of the Soviet Union was now gone?

We cannot, of course, ensure that we will always be correct—no one can, and there will always be a press story that begins, "The CIA missed \* \* \*" But I can tell you that the men and women that I have had the privilege and honor to lead these past two years will always be vigilant. And they will always deal with this post-cold war world as it is, not as if the world owes any of them—or us—the simplicity of defining one overarching threat.

For the purpose of my remarks today I want to discuss these challenges of today within four broad categories: crisis warning, strategic warning, critical international actors, and transnational issues. Because the committee wanted to devote the bulk of the session to questions and answers, the examples I provide within these categories do not begin to exhaust the list of challenges we face today.

#### I. CRISIS WARNING

As was the case during the cold war, we are still called upon to provide early warning of crises and to support US policymakers and military planners in developing a full range of responses, including military options. Such crises can comprise traditional forms of hostility or aggression as in the case of the Middle East or on the Korean peninsula, can arise over instability in the wake of political sclerosis and economic stagnation as with Cuba, can occur as nations use terrorists to advance their agendas, or could emerge as a result of man-made or natural disasters which may require the use of American military capabilities for humanitarian or peacekeeping operations.

Let me illustrate by beginning with the Middle East. Beyond the peace process—and the rivalry between the PLO and Hamas—the Middle East is home to Iran and Iraq—two powerful states who have not given up their ambitions to impose their own definition of stability in the region.

In the case of Iraq, Saddam Hussein has set two goals in his quest for regional dominance. First, he wants to reestablish authority over all of Iraq by eroding UN authority and inspections in his country, ending sanctions, eliminating the no-fly-zones and weakening opposition to his rule from the north and south.

Second, Saddam wants to rebuild his armed forces, as well as his capability for developing weapons of mass destruction. Iraq has over 2,000 tanks and 300 combat aircraft, the largest force in the Gulf region. Moreover, Iraq has the largest pool of scientific and technical expertise in the Arab world—over 7,000 nuclear scientists and engineers alone. A recent Iraqi defector has publicly stated that Saddam is concealing considerable segments of his missile, chemical, and biological weapons programs. Indeed, a recent report from the UN Special Commission indicates that Iraq is still withholding critical information, especially on its chemical and biological weapons programs. Such findings support our own evidence that Iraq is still hiding

Scud missiles, chemical munitions, elements of its nuclear weapons development program, and its program to develop biological weapons.

In December 1993, our National Intelligence Estimate of Iraqi intentions specifically pointed to a likely crisis with Kuwait, in part because of Saddam's desire to end Iraq's isolation and UN intrusive inspections. Ten months later, Saddam sent two elite Republican Guard armored divisions racing southward to the Kuwaiti border. These forces constituted the largest movement of the Iraqi military since Desert Storm, and forces were deployed in a manner which was consistent with their July 1990 deployment before Iraq invaded Kuwait, i.e., they carried with them their ammunition and logistical support.

Saddam claimed he had no alternative because of the suffering of the Iraqi people under UN sanctions. Nonsense. There were peaceful avenues available to him. The UN sanctions do not prohibit the import of food and medicines, and if Saddam lacks the money to pay for these humanitarian goods, the UN has offered Iraq since 1991 the option of selling a limited amount of oil in order to finance the purchase of nearly one billion dollars worth of humanitarian goods. The US was also prepared to seek UN approval for the flushing of Turkey's pipeline carrying Iraqi oil, which would have added an additional \$320 million in oil revenues. Yet, Saddam would have none of it. He rejected both offers because he wants to determine how the money will be spent and to whom the goods will be delivered. Indeed, since Desert Storm, Saddam has engaged in a massive program of building three dozen new palaces in Iraq for himself.

The President's response to Iraq's provocation was based on our strategic intelligence, as well as our tactical intelligence which discovered the move of the Republican Guard divisions as they began to move south. We provided sufficient early warning to allow US forces to be reinforced.

The picture from Iran is no less troublesome. Iran opposes the Middle East process, and provides Hizballah over \$100 million per year in money and arms, as well as additional funds and other material to the Palestine Islamic Jihad organization and Hamas. Hizballah itself remains the most likely suspect in bombings this past summer in Buenos Aires and London. Indeed, if Hizballah undertook these terrorist operations, it is highly unlikely it would have done so without explicit approval from Iran.

Iran's massive foreign debts, rising inflation, and increased unemployment have forced it to curb military expenditures over the last two years. The intelligence we provided on Iran's reprehensible behavior helped the Administration build its case in discouraging foreign credits for Iran, which have helped contribute to Iran's economic difficulties.

That said, Iran is trying to protect its highest priority purchases—tanks, missiles, submarines—and its weapons of mass destruction programs. For example, Iran's chemical weapons program—developed during the 1980s in response to Iraqi CW attacks—is expanding, and Iran also maintains an offensive biological warfare program and a clandestine nuclear weapons program. Iran is also still seeking long range missiles from North Korea which are capable of reaching Israel.

As you know Mr. Chairman, North Korea is also an area which demands our capabilities for crisis warning, and not solely because of its nuclear program. On the nuclear issue itself, the IAEA has reported that the North has indeed "frozen" the operation and construction of its key nuclear facilities as part of the commitment it made in the US-North Korean Agreed Framework signed last October. Because this Agreement is only a framework, our work in intelligence is far from done. We will continue our monitoring and analytical work and our support to policymakers involved in following up the agreement and implementing it.

As for the North Korean regime, Kim Chong Il thus far shows little inclination either to tackle the deteriorating economy or to arrest the military spending which eats up nearly 25 percent of North Korea's GNP—and that GNP has contracted by nearly 15 percent since 1989.

Since the early 1980's, North Korea has devoted massive resources to increase the size, firepower, and mobility of its military. The North's 947,000 man army—up from 600,000 in 1980—is the world's fourth largest, and two thirds of its ground forces are deployed within 60 miles of the Demilitarized Zone.

In addition we remain concerned about North Korea's ballistic missile program. One missile with a range of 1,000 kilometers was flight tested in 1993 and is capable of carrying—once these are developed and deployed—nuclear, chemical, or biological warheads. North Korea has also shown keen interest in exporting its missiles, and, as I have mentioned, North Korea and Iran have carried on extensive negotiations on ballistic missile cooperation. We are also concerned about North Korea's new, longer-range developmental ballistic missiles—the Taepo Dong I and II—that could range several thousand kilometers.

Let me turn to the situation in Bosnia. The war in Bosnia—now in its third year—continues its sporadic and fitful ups and downs. The military situation remains stalemated, with the Serbs having a significant advantage in heavy weapons and the Bosnian government forces able to exploit Serb manpower shortages to make limited gains in the central region. Many observers believe that both sides are using the current cease-fire to regroup in anticipation of renewed fighting within the next few months.

The intelligence community's efforts are focused on a host of critical issues: tracking military developments in order to assess the threat to NATO or UN forces, assessing the humanitarian situation, monitoring the border between Serbia/Montenegro and Bosnia to ensure that Milosevic honors his pledge to pressure the Bosnian Serbs into accepting the Contract Group plan, monitoring international compliance with UN sanctions against Serbia, and attempting to determine the intentions of key players in the region with an eye toward preventing spillover of the conflict to neighboring countries and areas including Croatia, Serbia, Kosovo, Albania, and Macedonia.

If the current peace efforts prove fruitless and fighting resumes, we could see movement toward the withdrawal of UNPROFOR from Bosnia by Spring as a result of weariness on the part of the nations participating in the relief effort. Any withdrawal is likely to encounter opposition by at least one of the combatant parties, and could necessitate US military intervention to help extricate allied forces.

Crisis warning will continue to prove critical in operations other than a classic war scenario such as the 1991 Gulf war. We estimate that threats to peace stemming from ethnic, religious, or national conflicts can flare up in more than 30 countries over the next two years. The President's directive issued last May—PDD/NSC-25—called for the US to support and participate in UN peace operations where they advance such American interests as maintaining stability or relieving large scale human suffering. In addition, US forces could be called upon to conduct noncombat evacuation operations. Moreover, we estimate that over 40 million people—nearly one percent of the world's population—need or are dependent on international aid to avoid mass starvation. American military capabilities—airlift, sealift, logistics—will require detailed, accurate and timely intelligence support.

Haiti is a case in point of the support the intelligence community provides to the military—in this instance, in a situation short of all-out hostilities. Last September we established a task force which worked around the clock to provide intelligence reports to the President and his senior advisers preparing for military intervention in Haiti. In addition, intelligence officers in the field worked directly with our counterparts in the US armed forces. Our analysts and officers served on the National Military Joint Intelligence Center's Interagency Task Force in the Pentagon, and on board US ships and on the ground in Haiti.

General Shelton, the overall commander of the operation, and General Meade, the commanding officer of the 10th mountain division, have both praised highly the quality of the intelligence support they have received. The partnership between the intelligence community and the armed forces—following some adjustments made after the Gulf War—is now a solid story of cooperation and achievement.

In Haiti itself, President Aristide's popularity among the general public remains strong, although many of his supporters have unrealistic expectations that he will produce immediate and dramatic social and economic improvements. The world community is currently providing food for 1.3 million Haitians. President Aristide's calls for reconciliation have helped prevent widespread violence, and his formation of a broad-based government has reassured the private sector and members of the elite who had serious reservations about his return.

In handling the Haitian military, President Aristide has ordered sweeping personnel changes and deep cuts in manpower, causing anxiety and anger throughout the ranks. The problem of unrealistic expectations, coupled with a large pool of disgruntled, potentially armed ex-soldiers point to vulnerabilities that will bear close monitoring in the year ahead.

Cuba is another country that we place in the category of crisis warning. Since 1989—the last year in which it received its annual four billion dollars in Soviet and East European assistance—Cuba's economy has contracted by about 50 percent, and imports have dropped about 80 percent. Castro has taken several steps to arrest this decline, such as legalizing the possession of the dollar, converting state farms into cooperatives, authorizing "self-employment" in certain professions, and opening up the economy to foreign investment. Despite these steps, we anticipate further economic decline. Economic hardships were key to the departure of 30,000 rafters last summer.

Political reform is not in the cards. Castro's government was able to quell quickly the riots which occurred last August—the most significant disturbances in decades—and organized dissident groups remain small and under tight surveillance.

Havana has lived up to its part of the bilateral accord signed with the US on September 9, and most Cubans apparently are putting off thoughts of illegal exit while they assess Washington's recently expanded legal migration program. But with tight political control and hesitant economic reform, the prospects of another crisis will remain a possibility for years to come.

A final issue that merits our crisis warning capabilities is the threat of terrorism. Through October of last year, 61 of the 288 international terrorist incidents were directed against US targets. For example, Iran's most important terrorist client, Lebanese Hizballah, has killed more Americans than any other terrorist group. We can expect that religious and ethnic extremism will continue to trigger terrorist incidents around the world.

There is a growing pattern of cooperation among terrorist and extremist groups. The ties between groups like Hizballah, Hamas, the Gamaat and others increase each others potential to cause havoc. Extremists in Egypt or Algeria, for example, may get their training in Sudan or Iran. Tactics learned in one environment can be transferred to another. Money laundering schemes have reached such degrees of sophistication that today they span three or four continents.

The intelligence community is expanding and deepening its cooperation with the State Department, the Department of Justice, the FBI, the US Secret Service, and the Immigration and Naturalization Service. The convictions last year of four suspects in the World Trade Center bombing of February 1993 were the product of such cooperation.

## II. STRATEGIC WARNING

Mr. Chairman, let me address challenges in the context of strategic warning, i.e., challenges which require long-term, intensive monitoring, and which in some instances, may take months or years before they develop into a crisis. These issues include the proliferation of weapons of mass destruction, foreign military force modernization, arms control treaty compliance, and "information warfare"—the potential for adversaries to disrupt information systems critical to our security. Strategic warning also applies to monitoring efforts by foreign intelligence services to penetrate US government agencies as well as US private organizations and businesses.

Let me focus principally on the proliferation of weapons of mass destruction. This challenge is not only national—such as with North Korea—or regional—such as in the Middle East—it is transnational because of the number of countries involved around the globe, the links between suppliers and buyers of this technology, and the lethality of these weapons.

Since I addressed this committee last year on this issue, there has been some important progress in nonproliferation: expansion of countries who have joined the materials control regime—the Chemical Weapons and the Biological Weapons Conventions, as well as the Missile Technology Control Regime. Here let me single out Ukraine's signing and ratifying the Nuclear Nonproliferation Treaty as a milestone.

Yet, as I have testified in the past, at least 24 countries, some hostile to the United States—such as Iran and Iraq which I have mentioned—already have or may be developing nuclear, biological, and chemical weapons. For example, we are watching the progress of Libya's development of underground chemical weapons facilities and are using our intelligence, where possible, to deny Qadhafi foreign assistance. But Libya's persistence is likely to result in the completion of its second chemical weapons production facility by late in this decade. As you may recall, Libya completed work on its Rabta CW facility in 1988.

Our intelligence capabilities are designed to assess the intentions and plans of proliferating countries; identify nuclear, chemical and biological weapons programs and clandestine transfer networks set up to obtain illegal material or launder money; support diplomatic, law enforcement, and military efforts to counter proliferation; provide direct support for multilateral initiatives and security regimes, and—of growing concern—surmount denial and deception practices set up by proliferators to conceal their programs. Indeed proliferating countries are becoming more adept at concealing their programs and the supply routes they establish to support their activities.

We also track the proliferation of advanced conventional weapons and technology, a growing military threat as unprecedented numbers of sophisticated weapons systems are offered for sale on the world market. Especially troubling is the proliferation of technologies and expertise in areas such as sensors, materials, and propulsion in supporting the development and modernization of weapons systems. Apart

from the capability of some advanced conventional weapons to deliver weapons of mass destruction, such weapons have the potential to significantly alter military balances, and disrupt US military operations and cause significant US casualties.

There is another dimension to the proliferation of and reliance on technology: growing US dependence on information and information systems may result in vulnerabilities that future adversaries may try to exploit. We are engaged in assessing foreign intentions and capabilities to conduct what we call "information warfare"—that is, penetrating our telecommunications and information systems in order to corrupt or destroy data critical to our national and economic security.

Let me comment briefly on counterintelligence. Collection on counterintelligence is a vital part of our overall intelligence work. But it extends far beyond monitoring efforts on the part of foreign intelligence services to penetrate the intelligence community. It also entails uncovering foreign plans to penetrate other institutions such as the various components of the law enforcement community, the State Department, and American businesses, in particular our high technology laboratories. We will continue to collect information on such activities, and to work closely with the law enforcement community to thwart the efforts of these hostile intelligence services.

### III. KEY INTERNATIONAL ACTORS: RUSSIA, CHINA

Let me now turn to our assessments of key international actors, and focus today on Russia and China.

Mr. Chairman, a year ago my remarks to this committee were made against the backdrop of the showdown between President Yeltsin and the Soviet-era Parliament, and the Parliamentary elections which catapulted nationalist forces—most notably Zhirinovskiy—into the forefront of the debate over Russia's future. For much of this past year the picture showed improvement. Despite intense pressures from the Russian legislature to slow the pace of—or even roll back—some elements of economic reform, the government, led by Premier Chernomyrdin, has continued its transition to a market-driven economy. Privatization remains the linchpin of these efforts, and we estimate that roughly one half of GDP is now produced by the private sector, up from last year's figure of 40 percent. Yet, the government continues to have trouble in achieving financial stabilization and in restructuring industry.

However, as 1994 drew to a close, the crisis in Chechnya, which had been brewing for the last three years, grew in intensity, producing the horrifying pictures we have all seen. Whatever the final outcome in Chechnya, the consequences will be substantial. The crisis and the Russian government's use of military force has provoked sharp differences within Russian society. Russia's financial stabilization plans may be endangered, and the political *modus vivendi* that had existed between the government and the legislature prior to the Chechnya crisis has been shattered. In brief, Russia's politics have become significantly more volatile and unpredictable and are likely to remain so until the next parliamentary and presidential elections, due to be held respectively soon after 12 December 1995 and June 1996.

Russia is also beset by the rise in organized crime—an issue that plagues the other states of the former Soviet Union. Criminal activity encompasses drug trafficking, the sale of weapons, antiques, icons, raw materials, stolen vehicles, and even some radioactive materials, and efforts to gain influence—if not outright control—over Russia's growing banking and private sectors.

Today, criminal groups operate in virtually every city and region of the Russian Federation, carving up criminal spheres along geographic and functional lines. In addition, Russian Interior Ministry officials estimate that organized crime controls most of Russia's 2,000 banks and over half of its financial capital, although the definition of "control" varies from owning and operating these institutions, to providing financial information to criminal groups under threat of extortion or violence.

In this environment, we are particularly concerned with the safety of nuclear, chemical, and biological materials as well as highly enriched uranium or plutonium, although I want to stress that this is a global problem. For example, highly enriched uranium was recently stolen from South Africa, and last month Czech authorities recovered three kilograms of 87.8 percent-enriched HEU in the Czech Republic—the largest seizure of near-weapons-grade material to date outside the former Soviet Union.

In Russia, criminal organizations have the extensive infrastructure—built on ties to corrupt military, political, and law enforcement officials—which could be used to facilitate the transfer and sale of these weapons or materials. They also have the resources to bribe or threaten those who handle such material into cooperating with them.

But let me point out that, despite considerable press speculation to the contrary, trading in nuclear weapons and materials is not the primary or even secondary source of business for these criminal enterprises. The other avenues for crime—extortion, financial fraud, narcotics trafficking—are far too profitable. Although to date we are not aware of any illegal transfers in quantities sufficient to produce a nuclear weapon, we do examine every report or claim because the potential will be there for years to come—fueled by a combination of declining morale among Russian security services and workers at nuclear research and production facilities, and customers such as Iran who are eager to shorten their timetable for development of nuclear weapons.

As for its nuclear forces, Russia is already on the road to reducing these forces from a high of over 10,000 strategic warheads toward some 6,000 and below due to arms control agreements, economic pressures, and political change. Even with these reductions, we believe that the Russians will continue developmental work on new or follow-on missile replacements for current, aging missile systems, especially given the decline in Russia's conventional force capabilities. The net result will be a smaller, but continued formidable strategic force.

Meanwhile the return of strategic warheads located outside Russia is continuing. Belarus and Kazakhstan are far along in transferring strategic nuclear warheads on their territories back to Russia. Ukraine is now also moving strategic nuclear warheads to Russia as part of the Trilateral Agreement signed early last year involving the United States.

Let me address the question as to whether there has been a significant change in the direction of Russian foreign policy, manifested at the CSCE Summit of last December and Russia's public comments about NATO expansion. We believe that a consensus has emerged in Moscow over the past two years for a more intense focus on Russian interests. These include: maintaining a sphere of influence in the Newly Independent States which today are home to 25 million ethnic Russians; re-establishing Russia as a key actor in Europe, the Middle East, and East Asia, and establishing a "balanced" partnership with the United States.

Manifestations of this change are apparent on several key foreign policy issues. Russia wants the West to support its self-asserted special responsibility for peace-keeping in the Newly Independent States. On Bosnia, although Moscow welcomed the creation of the Contract Group in May, Foreign Minister Kozyrev and others have shown irritation with what they characterize as an unbalanced US policy that makes short shrift of Russian interests and favors the Bosnia Government. Russian views on NATO expansion are negative, based on their current belief that such a move would be detrimental to Russian security. And US-Russian differences over the conditions for lifting sanctions on Iraq have surfaced, as well as Russian irritation over US pressure to stop selling arms to Iran.

I am not suggesting a return to a cold war with Russia—indeed on a number of these issues we have also had disagreements with our closest allies. But it is clear that Russia is redefining its position in foreign policy, and making clear its desire to maintain a position of influence in world affairs. Russia's foreign policies will be affected by the vicissitudes of domestic politics. Such politics—in which agreement with the US on key foreign policy issues could leave President Yeltsin vulnerable to charges of Russia being relegated to the status of a junior partner—will increase with the battle over legislative and presidential elections to come.

Let me add a word on Ukraine, whose economic decline and political paralysis of the last year have given way to a promising start on the road to economic reform and strong leadership. Under the leadership of President Kuchma, who was elected to that office in July, Ukraine has begun to implement a comprehensive economic reform program that includes liberalizing prices, slashing the deficit, overhauling taxation, freeing the exchange rate, and privatizing enterprises. Yet President Kuchma still faces a mounting foreign debt, large budget deficits, and continued tensions between the executive and legislative branches, as well as the potential flashpoints with Russia over Crimea and the division of the Black Sea fleet.

Turning to China, the process of leadership transition is underway, with Deng Xiaoping—who turned 90 last August—no longer able to keep his hand in day-to-day politics. In addition to tracking the political jockeying which is already underway, we also monitor economic and military developments. Chinese economic growth slowed slightly to 13 percent last year, and inflation—now nearly 30 percent a year in China's 35 largest cities—is a key concern. China has also run up its international reserves, which more than doubled to \$43 billion in the first ten months of 1994. Moreover, our annual bilateral trade deficit with China reached \$28 billion last year, half our deficit with Japan.

We monitor military modernization, as well as Chinese exports of extremely potent weapons technology into some of the more unstable regions of the world such

as the Middle East and South Asia. China has voiced its continued commitment to the NPT, the MTCR, and the yet-to-be ratified CWC, and is also working to slow exports of sensitive materials and technologies. That said, we will continue to monitor China's links with Iran and Pakistan as both of these countries continue their efforts to produce ballistic missiles and weapons of mass destruction.

#### IV. TRANSNATIONAL ISSUES

Mr. Chairman, let me turn to the final category, challenges which transcend the sovereignty of nations today. The internationalization of the world's economics is a challenge to national governments. We assess international economic trends, provide daily and weekly briefings to senior Administration officials, and support our trade negotiators.

We also devote our economic analytical efforts to assess whether nations are skirting the rules of international trade by using their intelligence services for industrial espionage, or exerting pressure to win contracts for their firms at the expense of American business and American jobs. This does not mean we are conducting economic espionage—we are not in the business of spying for private firms. But it does mean that we bring these corrupt foreign practices to the attention of the White House and the State and Commerce departments, who then seek redress—often successfully.

International organized crime, on the other hand, is a deadly cancerous threat to national governments. The reason is clear. International organized crime is a sophisticated, multi-billion dollar transnational business. Profits from drug trafficking alone—some \$200–300 billion—dwarf the GNP of most of all the 170 nations in the international system.

The fight against organized crime is demanding and painstaking: tracing the trail of money being laundered through three continents, piecing together the assembly and shipment of weapons through front companies, unraveling links between the Cali cartel, the Italian Mafia, and Russian criminal groups, or interpreting the local dialects used by Chinese Triads.

Within the CIA itself, our Crime and Narcotics Center is responsible for providing intelligence support to policymakers and law enforcement officials on organized crime. The center includes a newly formed Organized Crime Target Analysis Group to provide intelligence on the infrastructure of major international organized crime groups and to uncover vulnerabilities in their operations, and a financial crimes unit that targets international money laundering activities of international narcotics and organized crime groups. All of us in both intelligence and law enforcement view cooperation between these two worlds as a necessity if we are to counter and defeat international organized crime.

Mr. Chairman, let me close with one concluding thought. Our technological advances have helped make our intelligence capabilities the envy of all other nations, and they will remain critical in dealing with crises—those we face today and those that await us in the future. But our success will rely on two other ingredients as well—each no less critical. First are the men and women throughout the intelligence community who have worked long and diligently in doing their part to help keep us free. And second is the support of the American people. As I leave this position, it is my hope that as strong a bipartisan consensus can be forged in support of our intelligence community as we approach the next century as that which sustained our efforts through over a half century of global turmoil, and ultimate triumph.

Thank you Mr. Chairman.

#### STATEMENT OF R. JAMES WOOLSEY, DIRECTOR OF CENTRAL INTELLIGENCE

Director WOOLSEY. Thank you very much, Mr. Chairman, Senator Kerrey. I thank both of you for your kind words. As I look around the Senators sitting here, I grow nostalgic. Some I have worked with for many, many years. Some I worked with when they were in the other body. And all of you, I was looking forward to working with this year. I will look forward to working with you as you desire in this year and in the future.

Let me simply say a few words to lead into your questioning. And they will be both about the nature of intelligence and a sort of guideline to my longer statement for the subjects you may want to ask questions about.

It is, I think, very important to understand—and the first seven pages of my full statement deal really with this subject—that intelligence and the capability to collect and analyze it with a world wide reach is absolutely vital to the United States today, and if anything, it is more—a more challenging job than it was during the era of the Cold War.

It has come to be fashionable in some quarters to equate the absence of a single cataclysmic threat, such as the eruption of strategic nuclear war between the United States and the Soviet Union, with the absence of international concerns, and with the absence of a need for intelligence. I certainly do not make that equation.

We are in a post-war era here, the post-Cold War era. This is the third victory for the United States and its allies in a World War in this century—two hot, one cold. Going back for over 200 years, the United States has had a habit of drawing down and undercutting its national security establishment in the aftermath of a victory in war.

I commend to you some thoughts that you can obtain through many sources, about the history of the U.S. Navy in the years immediately following the Revolutionary War. Look at some point at how difficult it was for them to get the three little frigates built, including Old Ironsides, that performed so well during the War of 1812. It was said by many, the Revolutionary War was over, clearly we wouldn't need a Navy again.

So part of the problem is a chronic one, I think, in U.S. history. Part of it also, in understanding intelligence and the need for intelligence has to do with the terribly complex nature of modern intelligence collection systems.

If I can simplify radically, I would say that the world wide reach of three networks of intelligence today establish a position of primacy and a position of influence and understanding for the United States that leaves all other countries in the world very far back in second place. Those three networks are of reconnaissance, of signals intercepts, and of human intelligence, or espionage. Those three networks are largely designed and sized—all three are being scaled down to some extent, but still maintained with modern technology and with worldwide reach—those three are designed and sized largely for major crises and for war. And I include in major crises such matters as keeping track of weapons proliferation, terrorism and the like. They are also, of course, very well designed in these days and times for support to military operations, such as occurred during the Gulf War.

Once you design and size those three networks and two or three other much smaller ones, for crisis and war, you have a capability to understand also if you choose to target one or more of those networks on other matters, capability to understand other matters that are of great importance to the United States.

If I could use one illustration. We do not design reconnaissance satellites to keep track of poppy fields and cocaine fields. We design them for other purposes. But they are superb machines and they are designed with the flexibility so that if when passing over certain countries one wants to open the lens, one can almost as a free good, obtain a superb worldwide map of poppy growing and cocaine growing.

What we do is design these networks for crisis and war and then in peacetime, we operate them for a mix of purposes, including, as I will mention in my statement, to some extent, collection of certain types of economic intelligence, collection to assist law enforcement with respect to narcotics and the rest.

But the fundamental importance of the policy issues, how one is to collect and use intelligence to assist law enforcement, how one is to use intelligence with respect to economic matters, are in a sense, as far as resources are concerned, lesser included cases of what these fundamental networks are principally designed to do.

Another analogy is the United States military services do a superb job when a hurricane hits the United States at helping American citizens. But those forces are not designed to help American citizens in the aftermath of hurricanes, they are designed to fight wars. They can be used for those other purposes in peacetime and they are.

I believe that those understandings, those issues, about the nature, the size, the scope, of American worldwide intelligence ought to be—I hope they are—helpful to the Committee. We have undertaken a lot of effort over the course of the last two years to reduce some of these networks in size, to modernize them, to bring them in line with the needs for economy as well as the needs for capability in this post-Cold War era.

Mr. Chairman, let me say that I have divided my statement into four major parts, and I have dealt with in the ten pages, from pages 8 to 18, the issue of crisis warning and how American Intelligence today sees the potential areas of crises, particularly Iran, Iraq, and North Korea—also, of course, Bosnia, Haiti, Cuba—questions related to terrorism.

I would say very briefly that the long term chronic problem here from my point of view, which deserves day-in, day-out, perhaps the most attention, is Iran, because of its role in connection with international terrorism and because of its role as a potential weapons proliferating state. Certainly I would not slight attention at Iraq, North Korea, or any of the other areas which we have written about in the statements from pages 8 to 18.

From pages 18 to 22, the statement talks about strategic warning, long term trends which we need to monitor for the United States, and which carry the risk of severe damage to the United States if they are not monitored properly. In that category, I put proliferation of weapons of mass destruction all over the world, and counterintelligence.

Then in a third category, and I don't mean to put it down the list in substantive terms, are Russia and China, because these two key international actors, both in politics, in military capability, and in economic power or potential power, in military capability, and in economic power or potential power because of this size, because of their populations, because of their locations, are always going to be of central interest for many, many years, at least, to American intelligence.

Clearly I know you will want to ask questions about the state of affairs in Russia today. I will answer them to the best of my ability. Also the prospects of post-Deng Xiaoping era in China.

The final category in my statement, the last two pages, deal with other transnational issues, such as collection of intelligence to assist with the making of economic policy and to assist out businesses in their ability to play on a level playing field abroad, rather than having a free rein for those governments who try to win contracts by bribery and corruption away from American business, and the issues related to international organized crime and narcotics.

Mr. Chairman, I summarized those issues so very briefly because I thought it might be helpful to leave the most time today for the Committee to ask the questions that are of interest to the Members.

I might, if you would forgive me, mention one CIA business matter. It is a matter that has been of great concern and interest to me. Namely the long term prospect of improving diversity in the work place and the role of women and minorities at the Agency. I can tell you today that with respect to the class action suit that was being considered by our women case officers at the CIA, I cannot yet announce a settlement, but I am optimistic that the negotiations for a settlement will be successfully concluded in the near future, perhaps this week. Given the advanced stage of the negotiations, it wouldn't be appropriate for me to comment on the details, but I can say that the settlement that is contemplated by both the CIA and by counsel for the potential class would include an agreed number of retroactive promotions for the members of the class; an agreed number of career enhancing assignments for class members; an agreed sum to cover back pay, lost wages, and benefits for distribution to class members; and agreed to steps to ensure against gender discrimination in the future.

Mr. Chairman, with that I will close my opening statement.

Chairman SPECTER. Thank you very much, Director Woolsey.

I begin with a question on the Aldrich Ames case which I believe is a major issue if not the major issue confronting the reputation of the CIA with the very obvious concerns which have been expressed about the capability and competence of the CIA to conduct worldwide intelligence gathering operations without the ability to ferret out a spy within the CIA itself.

And my question to you, Director Woolsey, is what steps have been taken to prevent a recurrence of the Aldrich Ames incident since the Committee last heard from you?

Director WOOLSEY. Mr Chairman, there is a wide range of reforms and changes of the management of counterintelligence and security underway at the Agency. On most of these I have reported to the Committee before, lastest last November, the changes in the structure of our security office, the nature of counterintelligence organization, counterintelligence training, and will not go through those again: the Committee has heard them.

I would suggest that the Committee hear at some early point, in executive session, a briefing from our people who have been making a large number of changes in the way that the computer systems at the CIA are structured and operated, and the way messages are disseminated within the Agency. I think it will be of interest to the Committee, but there is nothing really more in open session that I can say about that.

I think that it is important to realize that the new structure for counterintelligence set forth by the President last May in his Executive Order is up and running and operating. We have Agency officers assigned to the Bureau. We have FBI officers in key positions that were set out in the President's decision, in the Agency, including at the head of the counterespionage group. We are working on a number of counterintelligence matters closely together, both related to the Bureau, the Agency, and the other agencies of government. I think the cooperation is very good. And I believe that these steps, these managerial steps, taken together with those that I made last July and the other I announced in September, will put counterintelligence on a very sound footing for the future.

Chairman SPECTER. Director Woolsey, the Committee will take up those matters in executive or closed session, but are you able to assure the American people at this time or to what extent can you give assurances to the American people that there will be no recurrence of the Aldrich Ames incident?

Director WOOLSEY. Mr. Chairman, let me say this. No head of any intelligence agency anywhere in the world should ever give a guarantee that his country's intelligence and law enforcement agencies will not be penetrated by foreign espionage. And the United States, not just the CIA, but the rest of the national intelligence structure, the FBI, the Department of Defense and State, are, along with our national laboratories, probably the primary target of espionage for a number of countries anywhere in the world. We are implementing a number of changes to reduce the likelihood of another Aldrich Ames occurring in the CIA or other spies occurring in other parts of the government as well. But absolute assurances should not be given, I think, by any intelligence agency head.

I will also say this, in the aftermath of the Cold War and the break-up particularly of the East German intelligence service, as well as a period of disorganization, shall we say, in the Former Soviet Union, the United States has with its friends and allies, obtained a large number of leads with respect to Cold War intelligence collection efforts by the East. We are working closely with the Bureau on those leads. They don't become cases until the FBI designates them as such. But those leads should be of great assistance to us, not only in the United States, but in friendly and allied countries, in helping clear up some of the Cold War residue of espionage.

Chairman SPECTER. Director Woolsey, the yellow light is on. There are many other questions which I will pursue later, but I think it is really insufficient to talk about, as you say, quote, "reducing the likelihood," unquote, when you talk about guarantees or absolute guarantees, that may be unrealistic. But I think the American people and the Congress are entitled to more assurances than you have just given. I think when we have an intelligence apparatus like we do in this country and spend as much money as we do, that we call upon it for very vital national security interests, that we are entitled to a lot more by way of assurance. I am not talking about 100%, because nobody is perfect, but when you talk about the integrity of the CIA to resist internal subversion, I think we ought to get pretty close to 99.44. I think we need a lot more by way of assurances than you have just given us.

Director WOOLSEY. Well, Mr. Chairman, again, it is not only with respect to the CIA that I would not give such an assurance. I would not give it with respect to the rest of the United States government either. We are here—and I don't mean we, necessarily the CIA—I mean the crucial parts of the United States government, the primary target of espionage from a number of countries around the world. And we work very hard overseas to learn what efforts are being made to penetrate a number of parts of the United States government. We work closely with our friends and allies to that end. And we work closely with the Bureau to help them move cases along as leads are developed. But percentages and guarantees on a numerical basis, I am afraid the best anyone should give you—not just me, but any head of any intelligence agency or law or investigative agency in the United States—the best that they should give you is a detailed report on their efforts and the state of their knowledge and understanding, but not numerical guarantees.

Chairman SPECTER. Director Woolsey, I don't want to let that pass even with my time expired. I am not talking about the rest of the government. The rest of the government, you can't give assurances on the rest of the government, that's not the point. The point is the CIA. The point is the CIA is the intelligence gathering operation. You are supposed to be the superspy for the United States around the world. I think we have to expect more, demand more, get more from the CIA than anyone else. And I think we have got to find a way to do that.

Senator Kerrey?

Vice Chairman KERREY. Thank you very much, Mr. Chairman.

Director Woolsey, I am not going to make a big issue out of it because I think your testimony indicates in many ways the problem that this Committee faces in trying to assess the priorities of threats. In the letter that we sent to you, we asked you to do that for us in the testimony, and my own feeling from conversations with you is that that is an awfully difficult piece of work. It's probably something that is best left to people who are elected by the people, but it unquestionably needs to be done. Otherwise it is impossible, it seems to me, for us to do anything other than to go from crisis to crisis, and we will unquestionably not develop the consensus that I think is needed with the American people.

If I could—and that's not critical of you, I just want to observe for the public that the idea of assessing threats and prioritizing those threats and making public decisions about how we are going to monitor those threats and what capability we'll maintain to meet those threats that is a piece of work that is urgently needed. It needs to be done. And I don't believe that it is fair for us to attack you for not having done it, if we have not done it. But I do think it is a first order of business for this Committee.

Director WOOLSEY. Could I describe briefly, Senator Kerrey, how it is being done now within the Executive branch, and I think there can and should be more dialogue with Congress on this.

Vice Chairman KERREY. I really was trying to just make the point that it—that your not doing it has not upset me. I just want to make the point that your not doing it indicates that this piece of work still remains to be done. It is a piece of unfinished business.

Director WOOLSEY. Right.

Vice Chairman KERREY. Let me approach this from a customer standpoint if I could. I read in the newspaper that we spend \$28 billion on intelligence efforts. And the question the taxpayers rightfully ask is, are we getting our money's worth? What do we have—over the last two years of your term, \$56 billion, if the newspaper reports are accurate—to show for the effort.

And so I would like to, if I could, somewhat indelicately, and I know it's perhaps a delicate question to ask, but since you are going to be hanging up your private sector law shingle here, maybe a little bit of candidness could help us make decisions. The number one customer, as I see it, is the commander in chief. Is that a fair assessment?

Director WOOLSEY. I would say so, yes.

Vice Chairman KERREY. Some have said—I have not said this, because I don't understand the relationship—some have said that one of the reasons that you are leaving is that you have not been given access to the President, you have not had a good working, day to day relationship with the President.

What I have observed, however, is that policymakers of all kinds are increasingly turning to open source information to make their decisions. I remember in '89 I was in Naples and Admiral Howe who at the time was the Commander in Chief of Southern Command for NATO, was hosting a luncheon. One of his aides came in and delivered a message. He said, "Senator," to me privately, "we have just invaded Panama, would you like to find out what's going on?"

We went into his office. He had all of the secure telephones, all of the bells and whistles, all the electronic gear that provides him direct access, I presume—not just to you, but to others as well—and we turned on CNN and watched what was going on.

The question is, do you think that we are organizing and delivering information in a fashion to the Commander in Chief that has him saying, as the principal customer, that we're getting our money's worth?

Director WOOLSEY. Yes, I do, Senator Kerrey. One recent example is the events of October in the Persian Gulf particularly surrounding Saddam Hussein's movement of the two Republican Guard divisions down towards the Kuwaiti border. That was a real intelligence success story, both from the point of view of strategic warning and from tactical warning.

And I believe that it is very important to realize that whereas open source information is quite useful in a breaking event where cameras are present on the ground, open source is not the way you figure out how many nuclear weapons the North Koreans may have, or what Hezbollah may be planning next, or whether Saddam is serious in moving south with two divisions.

I think the President is an excellent and discriminating consumer of intelligence. He goes through the written Presidential Daily Brief every day, and different periods of time has an oral briefing to supplement it. I think he is, as he has expressed to me on more than one occasion, quite satisfied with what American intelligence as a whole, not just the CIA, but the whole Intelligence Community, provides. And I believe that the fact that in that same

October we were doing a very detailed job around the clock of supporting the North Korean negotiations as well as supporting the move into Haiti, that the negotiator, Ambassador Gallucci, in North Korea, and the Commanding General, General Shelton, in Haiti, all had very favorable words about the nature of the intelligence they were being provided.

I should also suggest that we can do more than one thing at a time.

Vice Chairman KERREY. But it is true that a President of the United States in 1995 has access to much more valuable open source information than, let's say, a President in 1962?

Director WOOLSEY. Yes, with respect to some parts of the world. Russia is a good example. Today, for example, at least at this point, the press is relatively free in Russia. There's public opinion polling done in Russia. That sort of thing certainly wasn't occurring in 1962.

But with respect to what the Russian government may be planning or the direction that it may be going with respect to military efforts or other efforts that they would not have subject to open sources in Russia, I think the Intelligence Community is still a very great utility to the President as well as to our diplomats and our military planners.

Could I say a quick word about prioritization? I know the red light is on. The Senator raised it.

Chairman SPECTER. Certainly Director Woolsey, proceed with that.

Director WOOLSEY. Just a moment.

When I was asked by my predecessor, Bob Gates, when I was in private life before, to Chair a panel looking at the future of the national reconnaissance program, the reconnaissance satellites, in the summer of 1992, I came up with a way of looking at the prioritization of intelligence needs that I liked very much, and I implemented it when I became Director of Central Intelligence. We call it the Needs Process. It is operated by the Chairman of the National Intelligence Council, formerly Joe Nye, now Christine Williams. We used the National Intelligence Officers and the heads of the various centers, such as the Counter-terrorism Center, the Non-Proliferation Center; we used officials from other parts of the government such as the Defense Department. And we have a 15 or so categories of needs for intelligence, ranging from design information related to potential enemy weapons systems, to the conditions and plans of terrorist organizations, which each of these issue coordinators systematically goes through with the customers of that type of intelligence in order to find out what is paying off, what is needed, what is less needed. We work annually now in such a way as to assemble these in a set of documents to which the Committee has been given access, and by way of prioritizing, how these three networks that I described are to be targeted.

So far, we have been doing that according to what we believe are the principal criteria for urgency, and that is now about to be taken over by the National Security Council. The issuance of a Presidential Decision Directive I think will be coming out here within the next few weeks, which will say here are the top priorities for your collection, here are the second order priorities, here

are the third order priorities and the like, by subject and by country, using the products of this needs process that I described.

Now, I think that you will see that not only for the targeting of existing systems, but also for the development of new systems and the spending of resources, that is having an impact. It will be reflected, really, for the first time in part in the Presidential budget that is about to be—will be submitted over here shortly. And I would welcome the Committee joining that debate and discussion. I think what we have put together is a very reasonable framework to set out the issues and let elected officials, the President as well as Members of the Congress, discuss what the country's intelligence priorities ought to be.

Vice Chairman KERREY. Thank you.

Chairman SPECTER. Senator Lugar.

Senator LUGAR. Thank you very much, Mr. Chairman.

Mr. Woolsey, I want to get back to a question raised really by my colleagues, and that is really to zero in on why the CIA specifically is necessary. I ask that because you have mentioned that there is a very substantial apparatus involved in the satellites, in communications intelligence, human intelligence, analysts, and these are very talented people, and the congregation of all these assets prepared us for a war before and we were successful in war. But the question I think many Americans raise, now why is all of this necessary? Each of our armed services has intelligence people. The State Department and the Defense Department have intelligence people. And there is a general question, at least among my constituents, as to why all of these intelligence agencies are necessary, to what extent are they coordinated. And on top of this, lie all of the apparatus that was designed, really, to fight a world war and to do so successfully remains.

Now, some answers to that I suppose could be that the technology itself as represented by the satellites, the overhead imaging, what have you, is very expensive, cannot be replicated by everybody, and maybe this is a general service we have to have as world power.

Likewise the communications intelligence situation is very important to us, and HUMINT and the analysts. But the problem that Senator Kerrey raises, at the end of the day, if policymakers either do not utilize all of this—and that is historically, I think, a problem, which is not the problem of CIA in providing it, but the problem I suppose of this republic in surviving with people trying to understand and utilize the information at a policymaking level—but if they don't do so, or if they in fact are reliant upon open sources, namely political analysts, journalists, other people who either through electronic or printed means seem to give a better set of perceptions of what is going on in the world, then we have got a problem. And it comes down in budget terms to try and allocate scarce resources.

And I suppose just in a logical sense, as to how information is obtained that is useful by people making political judgments, that are not at war. Now, how do you address this general proposition? Our colleague, Senator Moynihan, from time to time has suggested that the CIA really should simply be abolished, it should be lined out, not down-sized or bit by bit, and he has argued this on the

basis of some of the conclusions he thinks that CIA arrived at, even in the Cold War period. Meet that argument if you will?

Director WOOLSEY. Sir, let me take the various aspects of that. Let me start with an analogy. You shouldn't really think of the US Intelligence Community that much as the rival of watching what is going on from ground cameras or from the position of a reporter who can obtain an interview in peaceful circumstances. That is perhaps more analogous to watching a baseball game. What we really do is the scouting reports. We try to get into the other teams training areas and let the manager know that the shortstop is slow by half a step going to his left, or that the leading lefthand reliever can't get his breaking stuff over when he is behind in the count. We also try to steal the other team's signals.

We provide the Commander in Chief and the negotiators and the military commanders with what can't be obtained by open source collection. And that is what we should be doing. We should not be in the business of rivaling what can be obtained on network television or by a diplomat having lunch with another diplomat, or a reporter calling on someone in an office.

We are principally in the business—two businesses. One is stealing secrets, and the other is all source analysis. Sometimes open source information is used together with the secrets that are stolen in order to produce that all source analysis. My impression today is that compared with a few years ago when I first came into the intelligence business in this town 27 years ago as an analyst of reconnaissance satellites in the Pentagon, the Intelligence Community produced large numbers of very thick studies that very few people read. It may have been true up until a few years ago. I can tell you, I don't think it's true now.

We have been working very hard for the last couple of years to tailor our products directly to our customers needs. We have gotten away very much from producing large tomes that are of interest principally to the author. Much of our product now is in the forms of briefings. Much of it is in the form of two, three, four page reports tailored directly to a question asked by a Cabinet member or the President or a military commander in a theater. That is an evolution, but it is an evolution that I have tried to move along very smartly over the course of the last two years.

I have, of course, perused Senator Moynihan's comments about the predictions in the Cold War. I have given him credit myself in speeches before I took this job for his own insights with respect to the rottenness of the Soviet system, statements he was making back in the late 1970's.

I would say that the conclusion that the CIA did not do a good job, on the National Estimates did not do a good job of assessing the underlying weakness of the Soviet Union, its economy, its politics and the fundamental structure of its military, are on the whole not correct. And I would suggest to you that the—Doug MacEachin, the Deputy Director for Intelligence, should perhaps be given a hearing before this Committee at some point. He's been through that whole—many years of that debate—to go through chapter and verse with respect to estimates and assessments during the Cold War era, with respect to the Soviet Union and what the Agency and the National Intelligence Community said when. I think the

picture is really very, very different than it has been portrayed in the press.

Senator LUGAR. Thank you, Mr. Chairman.

Chairman SPECTER. Senator Robb.

Senator ROBB. Thank you, Mr. Chairman.

Director Woolsey, I am delighted to have an opportunity to spend a few minutes with you in your capacity as you depart, and as I come to this particular Committee. I have known you over quite a number of years, and I think you provide an opportunity for all of the Members of the Committee in exercise of their Congressional oversight responsibility, but particularly for the new Members, of which there are quite a number on this Committee, particularly on the other side, to gain some insights as to how best we can perform our oversight responsibilities on this Committee in representing the rest of the Senate and the Congress.

And I am curious about a couple of things. First of all, just relationships, if you will. Both the Chairman and the Ranking Member asked some questions about how you interacted with the Commander in Chief in that capacity as well as others. But I would be curious if you have any thoughts as to what would be the optimum interaction at least from the DCI point of view in terms of presentation of intelligence to the Commander in Chief, and to the Congressional oversight Committees, in terms of how you and the Agency could provide information that would be useful and timely.

Director WOOLSEY. Well, the principal daily vehicle for providing information to the Commander in Chief is the President's Daily Brief. The President's Daily Brief is not a person talking. It is six or eight pages of very carefully crafted prose. It is distinguished from any other intelligence reports by the fact that it is quite candid about sources and methods. It is designed in such a way as to highlight the issues which are of direct interest to the President. For example, an assessment about an important issue in a country if he is about to have a summit meeting with a leader of that country. The President goes through the President's Daily Brief every day. It has been customary in some past Administrations and it has been customary in this Administration for from time to time, the President to also have the CIA briefer in to answer questions on the spot. But from our point of view, that is not the central feature. The central feature is the interaction. And we get daily a number of questions back from Cabinet officials, from the President, from the Vice President, which we answer very specifically. We answered one, you know, within the last day or so, of course, with respect to further details on Chechnya.

And so the interaction is a daily one, and sometimes in the past, DCI's—I have sometimes—and briefers also go in and meet with the President as part of this. But to my mind, that is not the central feature. The central feature is giving him something daily which he needs and is tailored to his needs and answering promptly his questions, and both of those have gone on very solidly for the last two years.

Senator ROBB. But the question has been raised whether or not there has been adequate access, whatever the case might be, and I am just trying to establish whether, in your judgment, as you de-

part, that access has been adequate or ought to be changed in any way, shape or form.

Director WOOLSEY. I have no complaints to make with respect to being able to provide intelligence to the President either in writing—I've done it in personal letters or in meetings. I dropped by the daily briefing whenever I want to. I have no complaints along those lines, Senator Robb.

Senator ROBB. All right, one other question. Most of the questions I have relate to process at this point, and a number of substantive questions which we'll get into in executive session. But the Chairman was asking you about the Aldrich Ames case and asking you for a guarantee, and you wisely, I think, declined to give an absolute guarantee, but more importantly, I think there is real concern whether everything that can possibly be done reasonably to address those concerns and to learn from the lessons and the lapses that have occurred, has been done. Would you be in a position to stake your reputation, if you will, that everything that could logically be learned has been learned, processed, analyzed, disseminated and is now being implemented?

Director WOOLSEY. I have spent a great deal of time, Senator Robb, as you imagine, on this subject over the course of the last really two years, because I started ordering some types of efforts underway very shortly after I came into this job. I didn't begin it just after Ames was arrested last February.

I believe we have made a large number of organizational and management changes which will substantially improve counterintelligence and security in the future. The ones that I have been able to think of, together with my senior people, in consultations with the National Security Council, regarding organizational changes, training, cooperation with the FBI, changes in the nature of the computer and message distribution system, all of these are well under way.

There is one very important point, though, that I would like to make. Ames came to spy in 1985 in an environment in which counterintelligence was decentralized and deemphasized in the CIA, and it was decentralized and deemphasized really kind of beginning in the mid-1970's in no small measure as a reaction against the Angleton era. The House Committee's report on the Ames case makes this point rather effectively, I think. The Angleton era, certainly James Jesus Angleton did a lot of very good things for the country and for intelligence, but towards the end of his career, his reputation was such that counterintelligence was not only centralized, but it also came to be the case that there were a great many suspicions cast and allegations made about people without a substantial basis. And some careers were in fact wrongly ruined during that period. Indeed, Congress has twice legislated to compensate CIA officers whose careers were ruined during that period.

The reaction against that era went too far. It deemphasized and decentralized counterintelligence to such a degree that Ames found it easier than anyone should have to begin spying in the mid-1980's and continue into the late 1980's and even the early 90's.

One thing I have tried to be very careful about, and I maintain this is extremely important, is that we should not make the same type of mistake again. We continue to make a number of correc-

tions and changes to emphasize and give priority to counterintelligence and security, but I do not want to leave this Agency or this job having created a mood or an attitude of paranoia and false accusations, a mood in which a single polygraph can ruin an individual's reputation, particularly if it can be interpreted ambiguously, a mood in which people believe that the way to success is to make an accusation. I do not believe it is in the interest of the country or the CIA to go back to an approach that many felt went very wrong, for example in the early 1970s.

This is a matter of judgment. Counterintelligence and security often come down to matters of judgment about people. We try at the Agency to assess the whole person, not to take a single event or a single score or a single indicator of any kind, but to assess all aspects of an individual. That was not being done carefully and effectively when Ames was spying, to put it mildly. We've tried to make a lot of changes to make certain that the whole individual is being assessed. But it is important, I think to assess the whole individual and to deal with people fairly, and I've tried to strike that balance.

Senator ROBB. Seven minutes moves rather quickly. My time is complete.

Chairman SPECTER. Senator Robb commented that I had asked for guarantees about no recurrence of the Aldrich Ames case and that you wisely said there were no absolute guarantees. I did not ask for guarantees. I asked you very carefully what assurances you could give to the American people that there would not be a repetition. And as our earlier discussion pointed out, I'm not satisfied with the comment about, quote, "reduced likelihood," unquote, or a statement that the CIA is no different from the, quote, "rest of the government," unquote. What I would expect on a situation like Ames, where there were 10 Soviet sources of the CIA and FBI executed as a result of Ames' activities and compromising over 100 intelligence operations of the CIA—and I'm reading now from the intelligence report—and literally thousands of classified documents were compromised, what I would be looking for, Director Woolsey, be a statement that the CIA is going to turn the CIA upside, down and look over every rock and behind every crevice to make as absolutely certain as humanly possibly that it's not going to happen again.

And I think if you go to 99.44, it may not be too high a standard. I want to see a sense of urgency and a sense of intensity about that. I'm not asking, as Senator Robb misquoted me, on guarantees. Guarantees don't exist in the real world. But I want to see a sense of intensity as to what you're doing here.

Director WOOLSEY. Mr. Chairman, I hope I can communicate to you that sense of urgency and intensity. I feel it very much. There are several aspects of the Ames case that I think I can offer 99-plus percent assurance of no repetition. One very important aspect—and it was the source of my decisions with respect to three of the four individuals whom I have said I would have fired or required them to retire were they still at the Agency—is the failure during the late '80s to manage personnel in such a way that one dealt with a behavior problem, which Ames very much was, in a sensible way.

Statistically, most spies are losers, American spies who spy for foreign countries, are losers; they're people with behavior problems, they're people who have security violations, they're people who drink too much, they're people who have stresses at home and stresses at the office. And one of the very important things that was not done in the Ames case is that people did not pick up on Ames's suitability problems and deal with them.

Now, only a very small share of people who have suitability problems become spies—a tiny, tiny share. But looked at from the other end, most people who do become spies in the American government are people who have problems being suitable employees and they evidence it in these various ways I've described.

One of the major things we have done is to make some substantial changes in personnel management at the Agency, to consolidate in one office problems which come up with respect to employees regarding excessive drinking, regarding security violations, regarding other types of problems. So that a manager has sort of one-stop shopping, in a sense; if he is trying to decide whether to put an individual into a new job, he has a place that he can go and get a full picture of that individual. That did not exist until I made that change several months ago. I think I can offer you a high, very high degree of assurance about cooperation between the FBI and the CIA. I think I can offer you a very high degree of assurance with respect to adequate resources being put on to counterintelligence. I think I can offer you a high degree of assurance with respect to a number of lessons learned from Ames.

What I was balking at was offering any particular percentage assurance with respect to any—ultimately, now or in the future—any assurance that a foreign intelligence service could never be able to penetrate, even for a brief period of time. That assurance just should not be given by any head of an intelligence agency.

Chairman SPECTER. Well, I'll pursue this later when my round comes up. But I like your last answer a little better than your first answer.

Senator Kyl.

Senator KYL. Thank you very much, Mr. Chairman.

Director Woolsey, I appreciate your appearance here today and just want to express my personal appreciation for the job you've done. I regret very much that you're not going to continue to be serving in the Agency and express to you my highest regard for you personally and for the job that you've done.

Director WOOLSEY. Thank you.

Senator KYL. And I look forward to visiting with you about your recommendations on how to satisfy the American people on this issue that has just been discussed, because as you said at the conclusion of your statement, your written statement, one of the things that the Agency requires to do—to continue to do a good job, is the support of the American people, and that's manifested through the Congress and through our financial support of the agency. And the degree to which the urgency to address problems like this is perceived, that'll have a bearing, obviously, on how much the American people will support the Agency, and we all wish for that, of course, very much.

I wanted to return to an issue of the Agency's analysis of threat to get back to Senator Kerrey's point about prioritization. One of the things that has occurred in the world, post-Cold War, has been a liberalization of trade, and with that, a diminution in our capability or ability to track carefully the technology transfers that earlier were thwarted more frequently by the kinds of specific regimes that we had established, both legislatively and within the government in various ways. Because of the diminution of that capability, both with respect to legislation like the Export Control Act and also the mere fact of liberalization, and third, I suppose, because our industrialized allies have loosened their control over technology transfer as well, we enter upon an era where the technology transfer to many countries around the world could pose a significant threat to us and to our allies, at a time when it's more and more difficult to do that kind of tracking.

And I guess the first—I really have two questions, and in order to get them both out of the way and then have you respond, let me move to the second one. But the conclusion here is, I think, what would you recommend with regard to the Agency's work in this regard? How serious a threat is it? And in particular, since you've spoken of the proliferation issue as one of the key threats—the weapons of mass destruction and the means to deliver them—would you comment on that?

And the second question really relates to that as well. I think that Senator Lugar made a valid point. Every time I read a history book, I remark on the fact that frequently in our history it's not that we didn't have the intelligence, it's that we failed to heed what it was telling us, Pearl Harbor being only the—probably the best example of it. But there is a current example that I think we're failing to heed, and it has to do with this issue of proliferation of weapons of mass destruction and the means of delivering them. With respect to the means of delivering them, clearly the missile is the weapon of choice, and yet we have not, in my opinion, adequately proceeded with a ballistic missile defense program that would meet that threat. And part of that is because people have said, well, that's not really the threat, it's really a terrorism threat. And yet I also find that we're not adequately meeting that.

For example, we have unilaterally ceased nuclear testing, notwithstanding the fact that some within certain defense entities strongly desire us to be able to test for radiation effects so that we will have a mechanism of disarming the nuclear terrorist weapon, for example—not to get too specific—but that's one way in which that could be used.

And so it seems to me that we haven't lacked in warnings from you and from the CIA, but we have lacked in the will to react to these warnings, and I'd like to have your comments on those as well.

Director WOOLSEY. Okay. Thank you very much, Senator Kyl.

With respect to transfers, the technology transfers in this new more liberalized era of world trade are of substantial concern to the Intelligence Community, and I'm sure the defense community, too, because principally it makes more likely the movement in international trade of dual use technology that can be of substantial assistance with respect to ballistic missiles, chemical weapons and

the like. The real dilemma here, of course, is that the same inertial navigation systems that can work well on commercial airliners can be adapted and the technology used to help on ballistic missiles. The same chemicals that can be used for pesticides can be used often as precursors for chemical weapons.

And when there were just sort of two principal teams in the world, so to speak—as one fellow at the Agency once put it, when it was shirts against skins—it was easier to establish a technology restrictive regime with respect to trading with the Soviet Union and its allies and the like.

We find that the main impact on the U.S. Intelligence Community of this new liberalized era of world trade is that it substantially increases the complexity of our job in keeping track of the movement of this technology, particularly movement from one foreign country to another, and particularly when companies, as they often do when they operate as front companies for a country such as Libya or Iraq or Iran, do their best to hide the nature and the path of any of these types of materials that can be used in weapons of mass destruction. The main effect on us is that substantially increases the importance in trying to keep track of what's going on in the world of proliferation, of using espionage, reconnaissance, and signals intelligence all together.

We have a briefing, which I'm sure Admiral Studeman would be delighted to present to you, relating to Libyan work in the chemical area, which illustrates what one needs to do in order to try to keep track of this type of movement of substances and technology. And from our point of view, it's a serious problem and it makes our job harder, particularly in the current era of ballistic missile proliferation.

I know you and I have had conversations on this subject going back well over a decade, and have both been interested in it, I know, for some time. I believe that the principal concern these days is two. First of all, should relations between the United States and Russia grow more negative than they are at this point—obviously Russia is a country with a large number of ballistic missiles which could threaten the United States—barring that, the principal concern I would have today is, I think, in the efforts in North Korea to develop the longer-range ballistic missiles and particularly the possibility that they might be sold in the Mideast, especially perhaps to Iran.

We are moving from an era of Scuds, of single-stage missiles, into an era of TAEPO DONG-1 and 2s, with ranges in the thousands, few thousands of kilometers, not quite intercontinental yet, but the path is very clear and the direction with respect to potential longer-range ballistic missile proliferation, particularly with regard to North Korea as the source, is I think extremely troubling.

Chairman SPECTER. Senator Cohen.

Senator COHEN. Thank you, Mr. Chairman. I have a statement I will submit for the record, and I would like to make a couple of observations.

[The statement of Senator Cohen follows:]

## STATEMENT BY SENATOR WILLIAM S. COHEN

I would like to offer my congratulations to the Chairman and Vice Chairman of the Intelligence Committee as they assume a leadership role here, and I would also like to say that I am delighted to be returning to the committee after a four year hiatus. I am certain that our Chairman and Vice Chairman will maintain this committee's exemplary record of conducting oversight while preserving the confidentiality of this country's most sensitive activities.

Before I turn to the witness for questions, I would like to share a couple of observations based on my prior service on this committee, because I believe there are some serious misconceptions regarding the intelligence business that are skewing the public debate over the future organization and funding levels of the Intelligence Community.

First, I think the public and the critics should understand that there are really two kinds of intelligence. There are clandestinely acquired facts, which the Intelligence Community produces in great quantities, and there are opinions and political forecasts, which we call analysis.

The Intelligence Community has a mixed record when it comes to political forecasting, no question about it. But intelligence analysis represents a very small fraction of the Intelligence budget, and perhaps an even smaller fraction of the Intelligence Community's value. The value of intelligence, as I see it, primarily stems from the daily flow of facts and data, rather than the periodic National Intelligence Estimate. For example, the Intelligence Community cannot tell you with certainty what Iraq will look like two years or even six months from now. It is perhaps futile even to try. But the Intelligence Community can and will notify policymakers within minutes if Saddam Hussein moves his troops or aircraft toward the Kuwaiti border as he did earlier this fall. Similarly, the Intelligence Community cannot foresee the future of Bosnia, but it can locate and identify Serbian troops positions, assess the number and kinds of weaponry they possess, identify surface to air missile sites, monitor compliance with UN sanctions, and occasionally provide insights into military or political plans and intentions. This information has great value, even if we cannot predict the future, and it is heavily relied on by our military forces, the State Department, and the White House. So to those who claim, quite rightly, that the Intelligence Community did not predict the fall of the Shah or the demise of the Soviet Union, I would merely point out that that is not what most of the money goes for in the Intelligence Budget and it should not be the sole basis for evaluating the Community's effectiveness. The Intelligence Community is not a crystal ball; it is a complex system of sophisticated sensors, technicians, and human agents who provide U.S. policymakers and military officials an improved baseline upon which to make informed decisions.

Second, I would like to echo the DCI's observations regarding the nature of this hearing. Intelligence has value far beyond the realm of traditional military threats to U.S. national security. Neither Somalia nor Haiti pose a threat to the United States, yet there has certainly been a requirement for intelligence reporting in both instances. In sum, policymakers are in the business of making decisions in many contexts, even in an era of reduced threats, and better information produces better decisions. So we should be careful not to assess the function of intelligence too narrowly.

I think that the other members of this committee are likely to find, as I did during my previous service here, that the Intelligence Community makes a vital contribution to our country. The successes must remain unsung in most instances, while the failures, such as the Ames case, will be loudly trumpeted. But I am confident that a careful and thorough assessment, conducted by this committee under our Chairman's able leadership, will reaffirm the continuing importance of intelligence collection in the post cold-war world. I look forward to working with our leaders on these issues in the years ahead.

I thank the chair.

Senator COHEN. I think the Director has correctly pointed out that the function of the Intelligence Community is to acquire information and present it to policymakers who can either choose to accept it, reject it, or simply ignore it. And other nations are in precisely the same business. The former Soviet Union, Russia, is in the business of reconnaissance signals intercepts, and also recruiting spies. And I might say that some of our allies are also in the same business. They might not have the reconnaissance capability,

but they certainly are in the business of trying to recruit informants, spies or call them what you will. And that's likely to continue into the indefinite future.

The decade of the 80's was a bad decade for the United States, it was the decade of the spy. Walker, Whitworth, Pelton, Hall, Conrad, Boyce, Howard, all of them had devastating consequences for our Intelligence Community. And we tried to do something about it, I might add. With regard to the Ames case, there's plenty of fault to go around, but you may recall something called the Boren-Cohen Chairmanship and Vice Chairmanship of the Intelligence Committee, when we called upon a group of experts with a wide range of views, liberal, conservative and moderate; academic and also practical. The group was headed up by Eli Jacobs and it made a number of key recommendations to reform our counter-intelligence capabilities to try to prevent the decade of the spy from repeating itself. Those recommendations sat on a shelf gathering dust because we as, quote, "policymakers," decided they weren't necessary. The Berlin Wall had come down and the Cold War was over. Some of the things recommended by this panel seemed to be too intrusive, allowing investigations into credit histories—much too intrusive in that respect—allowing the Agency to review financial transactions, calling for more stringent polygraph tests for those who had the highest security clearances. And immediately that was criticized as relying upon questionable technology at best. And I found it ironic that one of the failures cited at the agency was that they failed to pick up that Ames had an indication of deceit on the polygraph that was overlooked or dismissed by the CIA. So, on the one hand, we say that the polygraph is really not reliable enough and we really shouldn't rely upon it too much, and yet we then cite the agency for overlooking it.

I'd like to come back, because I think the agency was at fault. I think there is a culture of protecting people at the agency. But where was the Congressional responsibility when we had the opportunity to pass the reforms that would have allowed, I believe, the detection of Ames several years earlier? At that time, much as the Director has said in the War of 1812, we didn't need any more frigates. We didn't need the kind of reforms that were recommended by a group of experts.

So, I think that as we criticize the Agency, although the Agency deserves the criticism, we also ought to take a look at what the Congress did or failed to do in measuring up to its responsibility.

It's been asked of the Director, why the CIA? Is there a need for it? I think the same people that Senator Lugar's talking to also raised the question, why Congress? Why Congress? We have technology that's available today—we soon will have 500 television channels available to most people in this country. More and more information is being gathered by the American people to the point where they believe that they have as much information at their hands as we do at ours. Why not just go to a direct electronic town hall, have the major newsmakers as such, or news broadcast programs, pose questions and allow a direct dial-in every day and pass judgment on what our policy ought to be?

Now, most of us would probably find that objectionable, saying that, wait, we think we still serve a function here. We think that

we have to analyze the various competing and conflicting flows of data that come into us, sift through them to try to pick out what's real and what's Memorex, to provide some kind of judgment on these major issues. And so I think there still is a justification that we can make not only for the continued existence of the United States Congress, but also for the CIA itself, more of which I'll talk about later. I'm keeping my eye on the green light as I rush through this, Mr. Director.

I'd like to point to a couple of questions for you, and perhaps General Clapper and Secretary Gati. In the Sunday Post this past week there was an article by Jeffrey Smith that cited significant Administration differences about the Chechnya situation. It said there was a bitter disagreement between the pessimists at the CIA or the Defense Department who think Yeltsin is largely finished, and optimists within the State Department, at the U.S. Embassy in Moscow, who think Yeltsin may yet recover by halting the war and ousting the aides who got him into it. Is this an accurate reflection of the disagreement within the Administration?

Director WOOLSEY. Senator Cohen, I think any differences in nuance that may be with respect to an important issue like that between different parts of the Intelligence Community, we would be pleased, as always, to share with you, but I think it ought to only be in executive session, if you'll forgive me.

Senator COHEN. One other question, then. In General Clapper's testimony that I've looked at, he states that Russia has active biological and chemical warfare programs. And politically we believe that START II ratification in the Duma is problematic. The Russians have expressed intense opposition to the flank limitations of the Treaty on Conventional Armed Forces in Europe. And I guess the question is, how robust are the programs—the Russian biological and chemical warfare programs?

Director WOOLSEY. That's also a subject that's hard for me to say much about in open session. Let me say just that at this point I agree with General Clapper's assessment. The community, as a whole, is quite unified on this point; it is a matter of concern.

And, Senator Cohen, if I could just add one point, you and Senator Boren were kind enough to put me and Warren Christopher both on the Jacobs panel. I had to leave it early to go take a diplomatic assignment. But I always thought particularly the possibility of credit and financial checks without notification to the subject was an extremely important feature of what you recommended back several years ago. It would have been very useful in the Ames case. It was one of the changes which Congress—the President proposed and Congress did make this past year. But you and Senator Boren were there ahead of everyone else on that one.

Senator COHEN. My time is up, Mr. Chairman.

Chairman SPECTER. Thank you, Senator Cohen.

I think it worth noting that Senator Cohen's rejoining the Intelligence Committee brings substantial experience from his service as Vice Chairman for four years and his prior service of eight years, and I think it's very good to have you back here.

I'm going to pursue a line of questioning now with respect to what's happening in Russia, and I think it might be useful if we would invite General Clapper, Director of the Defense Intelligence

Agency, and Assistant Secretary of State for Intelligence and Research Gati to join you at the table, Director Woolsey, if you would.

The recent events in Chechnya, with the activities of the Russian army and the situation with respect to Russian President Boris Yeltsin, have raised issues which are very, very important for the United States, for our national security in terms of where is Russia heading, what is happening to the old Soviet Union, is there going to be a return to military rule or to dictatorship, which would pose very, very different security threats to the United States.

And I'd begin on this subject, and it might be that Ms. Gati or General Clapper have special insights to offer, is what is the prospective future of Russian President Boris Yeltsin? A very curious situation arises where he appears publicly and raises issues himself about the failure of the Russian military to obey his orders, it hardly looks like that is a statement of a man who is in control. Is he explaining himself to the Russian Parliament, is he trying to avoid some additional major problems?

So I begin with the basic question, what do our intelligence sources show us, to the extent you can comment publicly, about the future of President Boris Yeltsin in that position?

Director WOOLSEY. Let me just say a quick word and then Assistant Secretary Gati and General Clapper can certainly comment. Both have a great deal of expertise to offer on this general subject. I think it's clear, Mr. Chairman, that President Yeltsin has broken from many of his traditional supporters on this issue who have helped him push democratic and economic reforms. And what is happening in Chechnya has exacerbated tensions within the military; it's given a significant amount of ammunition to President Yeltsin's opponents in the legislature.

Now, I think it's impossible to predict at this time precisely whether, you know, there is any threat to his continuation in office in the short run, that is, before the presidential elections a year and a half from now. But it is, I think, of concern and certainly of interest that some of his advisers are inclined toward more statist and authoritarian policies.

Chairman SPECTER. Could you be a little more explicit about the division of advisers and what their respective recommendations are to him?

Director WOOLSEY. We would be pleased to go into that, but I think we would have to do that in executive session, Mr. Chairman. Whenever any of the three of us says anything about a personality or an individual recommendation in Russia in these circumstances, not only do we potentially have a sources and methods problem with respect to intelligence, but we also could conceivably have an impact on what the Russians are doing or with one another, and I think none of us wants that, so—

Chairman SPECTER. Well, I understand that as a generalization, but I think it is safe to say that there are some pushing Yeltsin in the direction of a stronger military, tougher enforcement of Russian interests and not letting any federation move away, contrasted with forces which are pushing toward democratization or to open markets. Can you tell us anything about the tugs and pulls? And really, more specifically, without naming names, where is it likely to go?

Director WOOLSEY. The one thing I think I would add—and then let me turn it over to Mrs. Gati and General Clapper—is that authoritarianism and democracy are not the only two possible futures for Russia. A disorganized situation—perhaps not approaching what the Russians call *asmuta*, a time of troubles—but at least a situation in which the organizational structure of the government is in some confusion and disarray—is also a possibility. And that is one that I believe should deeply concern the United States as well. I think I should leave the policymakers saying more on that point, but it is not just a struggle between democrats and hardliners. There is a third possible and really very unhappy outcome in which the situation of control and of stability with respect to the Russian government could be less than it is today, and that's a matter of concern, too.

Chairman SPECTER. General Clapper, Ms. Gati, we've called you to the podium, and I'm out of time. So we'll come back to you in a few minutes.

Senator Kerrey.

Vice Chairman KERREY. Well, thank you, Mr. Chairman.

I want to be clear for the public's consumption that I do believe that national intelligence is a significant force multiplier and that it has in the past two years, sometimes unintentionally—but regardless of whether it's intentionally or unintentionally—provided this country and its policymakers with information that has—whether we've gotten \$56 billion worth or not is a debatable point, but we've gotten enormous benefit from it. I mean, the instance of our identifying the nuclear capacity of North Korea probably tops the list, but there are many others where information has been provided to policymakers. And one can hypothetically imagine a scenario where that information was not delivered to the United States, not delivered to the Security Council of the United Nations, and to kind of imagine what would happen if North Korea develops a nuclear capability independently and then what happens at that point, and what does it cost the United States of America and what does it cost the world. So I mean, I don't think one has to look very far.

What I'm focusing my attention on, though, is both the organization of that effort and the description of it to the American people. And I have a list of things that I wanted to ask about, beginning with information warfare, following with Russian and Chinese strategic weapons; terrorism; ethnic conflict; national breakdown; failure of the United Nations; Mexico; though it's discredited, the environment still is, it seems to me, extremely important; Russian biological weapons and chemical weapons, which were mentioned in General Clapper's testimony; organized crime in Russia itself. All these, and perhaps others, represent threats to the United States in varying degrees.

What I'd like to do is focus just on one to make a point. Again, I'm trying to make the point as much to American citizens as I am just inside this room for the benefit of the Committee. I would appreciate focusing on Russian and Chinese strategic weapons for a minute, some elaboration on your part on the Russian and Chinese arsenal, the weapons that are still in silos or on submarines, and

to what extent do these weapons threaten the lives of Americans or even our entire national life.

General Clapper, or maybe Mr. Woolsey——

Director WOOLSEY. Let's have General Clapper do this one.

[The prepared statement of General Clapper follows:]

THE WORLDWIDE THREAT TO THE UNITED STATES AND ITS INTERESTS ABROAD—  
STATEMENT BY LT. GEN. JAMES R. CLAPPER, JR., USAF DIRECTOR, DEFENSE INTELLIGENCE AGENCY

I testified before this Committee last year on threats to U.S. interests and identified three principal concerns: North Korea; political military developments in Russia; and the proliferation of technology associated with weapons of mass destruction. These three areas, as well as a myriad of lesser regional challenges, remain of primary importance to the Defense Intelligence community as we stretch our resources to cover these complex and sophisticated intelligence targets. Before I get into the specifics of these threats, however, or address the issues the Committee asked that I cover, I want to mention a growing concern of mine.

In his Atlantic Monthly article entitled, "The Coming Anarchy", Robert Kaplan says, " \* \* \* a large number of people on this planet, to whom the comfort and stability of a middle-class life is utterly unknown, find war and a barracks existence a step up rather than a step down." Certainly, we have seen ample evidence over the last several years that much of the Third World rests on a bed of kindling wood with unpredictable flash points. Dealing with these "premodern" or "irregular" threats is a challenge that we in military intelligence have just begun to confront systematically.

I will address in more detail both traditional threats from a regional perspective as well as some of the nontraditional problems we in military intelligence are facing. I ask, however, that you bear in mind the potential for this flash point warfare that could ignite virtually anywhere and with little notice, but which has wide-ranging implications for U.S. policy and military operations.

#### A REGIONAL PERSPECTIVE ON MILITARY THREATS TO U.S. INTERESTS

##### *Asia*

North Korea continues to be my major near term military concern. It may be that the nuclear framework agreement, coupled with leadership transition, offers the promise of a significantly more stable Korean Peninsula. Indeed, we believe North Korea's leadership now recognizes its chances for regime survival are better served by strategies emphasizing economic improvement and political-economic accommodation rather than those stressing implacable confrontation with the outside world.

But nevertheless, while this is a potentially historic change, I continue to focus on the realities on the ground. Thus far, there have been no significant changes in North Korea's military posture. Concentrated in the southern part of the country and able to transition to war in a matter of days, the North's military continues to significantly outnumber the combined ROK and U.S. forces. To be sure, this military has shortcomings and vulnerabilities, but the nuclear framework accord has done nothing to diminish the North's current capabilities to conduct a war against the south. Moreover, the North's military preparations continue apace, with additional long range artillery and missile systems being moved closer to the DMZ. In the future the key questions will be whether the North follows through on the nuclear agreement, and whether, finally, they begin to reallocate very scarce resources away from the military. In any event, North Korea will remain a very unstable place for at least the next few years.

The other country in the Far East we watch carefully is China. In part this is because of its strategic nuclear capability: a small deterrent force but with considerable reach; this force will grow in the next decade. And, we are watching how China deals with its rapid economic growth. As a result of defense spending increases, the military is buying a small number of modern fighter aircraft and air defense systems from Russia and is investing heavily to improve its indigenous production capabilities. This is not necessarily threatening; some force modernization is to be expected because China has a large, old military. Over time, we will be observing the degree to which China dedicates its national resources to the military and the implications this has for the ways in which China might use its military forces. We see signals, for example, that Beijing intends to continue developing its military capabilities to enable it to more effectively protect its interests close to its own borders. Such military improvements will undoubtedly cause concern among its neighbors.

*Eurasian land mass*

The tragic events in the former Yugoslavia receive most of the attention in Europe. Ultimately, a political solution is the only answer for ending the conflict; unfortunately, there is every chance that fighting will further intensify next spring even if the current cease fire holds, and could then spin out of control, potentially spreading beyond the boundaries of the former Yugoslavia and leading to greater involvement of military personnel from various NATO countries and elsewhere.

Within NATO itself, I am concerned about continuing tensions between Greece and Turkey, as reflected by last fall's crisis in the Aegean over territorial sea limits and each country's simultaneous military exercises. The Alliance is weakened by this persistent acrimony and we worry about a clash neither side wants growing out of an inadvertent incident during such exercises.

Over the longer term, the events in Russia are the key to future security on the Eurasian land mass. There is a growing perception in Russia that President Yeltsin is increasingly isolated and there is deepening political disarray in Moscow. Russia's very difficult transition to a democratic government and a market oriented economy is not assured. At the same time, the military has been under extraordinary pressure; as Deputy Defense Minister Kokoshin has said, "the military is fighting for its survival". A precipitous decline in defense budgets has severely impacted the military's ability to reform itself and we anticipate that continued economic problems will adversely affect the military for a number of years.

Strategic nuclear forces have been relatively the least affected, and we are confident that they remain under the centralized control of the Russian President and the General Staff. The conventional forces, however, have been particularly hard hit.

It sometimes is alleged by some western observers that Russia's military is in total disarray. This is clearly not the case. The General Staff has orchestrated the largest strategic withdrawal in the history of the world in an organized manner. They are taking logical cuts and their force development activities make sound military sense. On the other hand, things beyond their control—particularly budget cuts—are taking a huge toll. By virtually every objective standard used to measure military capabilities—manning, readiness, training, morale, logistics, and materiel maintenance—the Russian military continues to suffer major problems. As a result, the military is currently only capable of conducting limited conventional operations in and around the periphery of Russia. And as we have seen in Chechnya, even that small-scale operation has experienced significant problems.

While these degraded capabilities are likely to confront the Russian military through at least the rest of this decade, we are still concerned about a number of military related developments in Russia. For example, we continue to note large investments in their deep underground program. In addition, they maintain active chemical warfare and biological warfare research and development programs. Politically, moreover, we believe that START II ratification in the DUMA is problematic, and the Russians are continuing to express intense opposition to the flank limitations of the Treaty on Conventional Armed Forces in Europe.

*Middle East/South Asia*

In the Middle East we continue to closely monitor the threat posed by Iraq and Iran. In the case of Iraq, the military continues to suffer from the results of Desert Storm. Only about ½ the size it was during the Persian Gulf war, the military continues to be constrained by UN Sanctions. Saddam is succeeding in rebuilding some military capabilities, and, we believe, hiding missile and WMD capabilities; but overall, large portions of the regular military continue to suffer from major shortcomings in morale, readiness, logistics and training. Nevertheless, the events of last October in which the bulk of two Republican Guard divisions were quickly moved to the Kuwaiti border remind us that Saddam retains residual capability to project power; then, early warning by the Intelligence Community enabled the President to deploy a deterrent force in a timely manner. The ability to limit Iraq's future offensive military capability is directly related to two factors: first, continued enforcement of the sanctions; and, second, the forward presence of U.S. military power to deter, and if necessary, to defeat Iraqi forces.

Iran's military is also in the midst of rebuilding from the decade long war with Iraq. But Iran has major economic constraints as well that have slowed its weapons acquisition plans. Hard currency shortages and a poor debt servicing record have limited Teheran's ability to acquire weapons systems in the international arms market. Spending between 1 and 2 billion dollars a year on arms, Iran has focused on missiles and WMD capability and some limited growth in conventional capabilities. Some systems they are acquiring, such as Kilo submarines and antiship cruise mis-

siles could complicate operations in and around the Persian Gulf; however, overall, both the quality and quantity of arms they are purchasing remain constrained by budgetary shortfalls. We expect that trend to continue.

Degraded military capabilities of Iraq and Iran, as well as those of Syria, coupled with progress in the peace process, mean that the major near term threat of aggression against Israel continues to be low. Beyond the terrorist threat, we believe the greatest threat to Israeli security over the midterm will be from the increased numbers of long range surface to surface missiles equipped with weapons of mass destruction warheads.

In South Asia, India and Pakistan remain a concern because of presence of very large forces in close proximity across the line of contact, as well as their pursuit of ballistic missiles and weapons of mass destruction. We believe both Islamabad and Delhi are preoccupied with internal problems and recognize that war is not in the interest of either. However, as always, this remains a potential flash point because of the danger of miscalculation and the prospect for rapid escalation of a crisis.

#### *Transnational and subnational forces*

Because of the nature of your request I have focused principally on the traditional military capabilities of major regional actors. However, the lessons of the past few years are apparent: we must also pay increased attention to forces at both the transnational and subnational levels. We can, unfortunately, anticipate that conflicts such as those in Somalia, the Former Yugoslavia and Rwanda will be far more likely than the kinds of major regional aggression that have confronted us in the past. Whether these kinds of conflict impact on U.S. interests is not for me to say. But as a purely factual matter, their numbers are increasing and, at a minimum, they will confront the world with humanitarian disasters involving millions of people. Thus far, these conflicts have had a relatively indirect impact on the west's "interests"—largely directed toward our conscience and our urge to make things better. However, it will only be a matter of time before the impact—whether it is major refugee movement or some other phenomenon directed against one of our close allies—is much more direct.

When the United States does choose to commit its military to these kinds of operations, the challenges to the Intelligence Community are immense. Now we must focus not on some "big picture" view of the threat but rather on the precise nature of the actual threats to our deployed forces and the operational environment in which they will deploy. Threat analysis must be much more concrete and specific. Of course we still provide in depth orders of battle, targeting data, and traditional military capabilities analysis. But we must also provide the commanders on the ground with detailed information regarding local customs, ethnicity, biographic data, military geography and infectious diseases. All of these can have a direct bearing on the threats posed to our forces. A couple of examples:

We provided detailed analysis on more than 40 clans and subclans operating in Somalia—far more difficult than counting tanks and planes;

The Armed Forces Medical Intelligence Center anticipated the need for preventive medicine countermeasures to avoid severe outbreaks of malaria in Somalia; it also assessed the risk to our forces from working in close contact with indigenous Somali populations where diseases such as TB are rampant;

We provided detailed infrastructure and geographic analysis to support evacuation and relief operations in Rwanda/Zaire;

We assisted in tracking refugees from Cuba and Haiti;

We supported our battalion in Macedonia with specific information regarding Serb deployments opposite their positions.

The information we provide regarding the operational environment in which our forces will operate goes well beyond direct threats to U.S. servicemen and women. Your staff requested that I address the AIDs problem, so I'll use that as an example. Though the threat of contracting the disease by our deployed forces is very low, AIDs is having a tremendous impact on the militaries of many third world militaries—whether that of a country in which we might be conducting a Peacekeeping Operation, or one that is participating with us in a multilateral operation. Moreover, in countries where the HIV rate exceeds 50% in the military, the long term impact on both the military as an institution and the fabric of society could be devastating.

#### *A functional perspective on military threats to U.S. interests*

Having initially taken a regional approach, let me now briefly address the nature of threats in a functional manner by examining proliferation and weapons systems that could face our forces.

As I indicated one of my major concerns is tracking the continued proliferation of technologies associated with weapons of mass destruction and their delivery systems. Approximately two dozen countries have ongoing programs to develop or acquire weapons of mass destruction. While it is possible to slow the proliferation of these weapons, a country that is intent on gaining such a capability will eventually do so. And in addition to the weapon itself, many countries, particularly in the Middle East, are also gaining the capability to build surface to surface missiles as delivery systems. By the turn of the century we could see numerous countries with the capability to mate a WMD warhead (whether it be chemical, biological, or nuclear) with an indigenously produced missile of 500–1,000 km or greater range. At the same time, however, we see no interest in or capability of any new country reaching the continental United States with a long range missile for at least the next decade.

With respect to conventional weapons systems development, the picture is mixed. There are very advanced weapons systems under development in all of the major industrial countries. At the same time, however, declining defense budgets coupled with a very soft international arms market is limiting the ability of countries to develop, field and sell these systems. This is no more true than in Russia. The defense establishment has been attempting to protect the research and development of major systems despite a defense budget that is less than a 1/3 of that of the Former Soviet Union—and getting smaller. While R&D does continue on many advanced systems, major difficulties are evident. The Russians themselves are complaining that virtually every big ticket item—including the navy's latest generation nuclear powered attack submarine, the air forces' multi-role fighter interceptor, and the army's helicopter program—are having problems because of funding limitations. This trend can be expected to continue and could get worse as Moscow is forced to make very difficult procurement tradeoff decisions.

Finally, while we tend to focus on current and future high technology big ticket items, its important to remember that the world is already awash in weapon systems. These range from the relatively simple small arms and mines, to more advanced hand held surface to air missiles, to increasingly advanced anti-ship cruise missiles. Any country with hard currency can and will get these systems. And while they won't lead to military defeat of U.S. forces, they certainly hold out the prospect of casualties. As we have seen in the past, this can have both a major impact on force planning for peacekeeping operations and a significant domestic political impact on their conduct.

#### CONCLUSIONS

In summary, I believe the issues of greatest concern to Defense Intelligence are essentially the same as those I identified last year: the Korean peninsula; political/military developments in Russia, and the worldwide proliferation of technology associated with weapons of mass destruction.

Similarly I would emphasize two additional factors that I highlighted last year; first, we face a high degree of uncertainty regarding the nature of the threats that will confront U.S. interests in the early 21st century; and second, the world's major militaries are in a decade of transition, the end points of which are not entirely clear. The end of the Cold War is still playing itself out and as a result of decreasing threat perceptions and generally declining defense budgets (China being a notable exception), militaries are not enjoying the resource prominence they once did. In the majority of countries in the world, friends and foes alike, militaries are getting smaller and readiness is declining.

If these trends continue, the prospects for well trained, well equipped major regional aggressors developing after the turn of the century may be relatively low; even so, the likelihood of ethnic, religious and sectarian violence both within countries and across borders is likely to grow—the world is not likely to be a stable place. Moreover, continuation of these favorable trends is not preordained; depending on the nature of political events, particularly in Europe, Asia and the Middle East, we could see a reversal in many of the gains of the last several years.

Have the major, direct threats to the security interests of the United States declined over the last several years? Of course. But as I said last year, there are mid-range dangers and long-range uncertainties that continue to be at the forefront of U.S. national security policy. In such an era, I remain convinced that we in Defense Intelligence will play a critical role in providing accurate, timely data to both our warfighters and policy makers to ensure the success of that security policy.

As I close, I am compelled to say a word about the resource implications of the range of issues I have just covered. This Committee has often heard me talk about "managing risk". As we continue our drawdowns I'd ask that you too reflect on the range of military threats, risks, and concerns highlighted in the statement (and then

remember that I haven't even mentioned counterterrorism, counternarcotics or counterintelligence, all of which are monitored to some degree by Defense Intelligence). These are all issues, against which I am called on to devote resources to collect, analyze, and produce intelligence—thus far, at least, I haven't had anyone tell me I can start foregoing any of these issues.

On the high end of the threat spectrum, there are numerous countries, all of which are capable to varying degrees of conducting military operations that could impact on U.S. interests. For these countries, the demand is that I can track the following kinds of issues in some detail: political/military intentions, military doctrine, strategy, and tactics, all the way down to basic order of battle analysis—and everything in between (training, readiness, logistics, etc). And of course we must be technically versed in all the weapons systems this country has in order to give our forces the best chance to defeat those systems; this is getting increasingly complicated as so-called "grey" systems are fielded and use the technology of several countries. Ultimately, to defeat that foreign force requires exceptionally fine grain analysis of the potential enemy's infrastructure for targeting purposes (and again, this information is only collectible over a very long period of time, in advance—if we wait until the crisis develops, its way too late). Note as well that there is a time dimension to our intelligence production; I have addressed the maintenance of a current body of knowledge on all these potential threats. But, we have to look well forward as well, out a decade or two in the case of support to the weapons acquisition community; this obviously implies a whole separate set of data requirements.

On the lower end of the threat spectrum, as I suggested earlier, flash point warfare is a particular challenge for those of us in military intelligence. Here the traditional tenets of military intelligence, rooted in order of battle and combined arms warfare analysis, are less and less relevant. Now we must be steeped in the culture and ethnic makeup of multiple tribes and clans within the same "country". How do they fight? What are they fighting over? Are there centers of gravity? How are they making use of very low technology weapons? Beyond the forces, what is the geographic environment in which our forces might have to operate; what, for example is the best route to evacuate our Embassy people out of Kigali—a critical issue we needed to address last year. These kinds of data requirements are substantially different than those demanded to support large scale conflict, but are equally complex. As we face more and more of this new environment, clearly, we are not standing still. We have taken several initiatives within the military intelligence community to help us better understand and deal with the growing phenomena of flash point or irregular warfare:

Dr. Hans Mark of the DIA Scientific Advisory Board is leading a study on urban warfare;

My staff conducted a study on operations other than war at the behest of the Assistant Secretary of Defense for Command, Control, Communications and Intelligence that lays out well the challenges we face in this area;

DIA has several analysts who have developed expertise in providing the highly specialized intelligence products required for use in both urban and tribal warfare;

We are working to develop a cadre of analysts who focus their research on Third World instability and the implications for the U.S. military; and,

I have extracted liberally here from the work of a DIA senior Executive who may be the Community's preeminent expert on the implications of irregular warfare to intelligence.

The point of reciting the tremendous range of data requirements we have is to reinforce the notion of "managing risk". I can't in good conscience tell you we are doing everything equally well against all of these targets. Moreover, I can certainly say that, over time, as we take more cuts, our collection and analytic elements will suffer. My approach will continue to be to surge people from one crisis to another, but that too has a cost; we will do so at the expense of maintaining critical regional and technical expertise. I understand the need for drawdown and will continue to see that it is implemented in as rational a manner as possible. But it is incumbent on all of us—this Committee as well as the leadership of Defense Intelligence—to make every reasonable attempt to minimize the risk inherent in still deeper cuts. This concludes my statement.

**STATEMENT OF LT. GEN. JAMES R. CLAPPER, USAF,  
DIRECTOR, DEFENSE INTELLIGENCE AGENCY**

General CLAPPER. Well, Senator Kerrey, those—in the context of your interest in prioritization of potential threats to the United States, the well-being of the United States, from a military per-

spective, we have to be mindful of and sensitive to the strategic capabilities that are still considerable, still possessed by Russia, and perhaps more latent but, nevertheless, potent are the Chinese.

Now that's not to say that I would suggest to you that either the Russians or the Chinese have the intent to attack the United States. On the contrary, I think that has dissipated with the demise of the Cold War. But from a pure capability standpoint, there are still thousands of nuclear weapons available to the Russians, and although they have professed and I have no reason to doubt that they have de-targeted us, there is still the capability in terms of range, payload, reachability, for them to attack the United States.

Vice Chairman KERREY. General, could I just ask you, again, mostly for the purpose of public consumption and for citizen evaluation, to describe both the difference between capability and intent and the desirability of planning for one or the other. As I understand, we plan for capability, not for intent. Is that correct?

General CLAPPER. Well, that's the classical military approach: you have to deal with capabilities. Intends can change with changes in the political leadership that oversees these profoundly capable military forces. So, on the one hand there's sort of a technical assessment of a particular weapon, an assessment of the force structure, the potential capability to exercise, to launch such weapons, to mount an attack, that is quite different, quite aside from the issue of whether a nation—a nation-state and its leadership may have the intent, a subjective political decision, to actually exercise the capability. From a purely military standpoint, we have to worst-case it, if you will, and treat, I think, first, ultimately, what is the capability of a weapons system or array of weapons systems to be exercised against us.

Vice Chairman KERREY. Is it true, General, that sometimes the thing that's the least likely to happen ends up being the most expensive for which we must defend?

General CLAPPER. Well, that was clearly the case in the Cold War, where we, from an intelligence perspective, were treating a very, very demanding scenario—nuclear holocaust—although it was undoubtedly least likely. Therefore, we really had no option, I think, but to worst-case that; what would be the ultimate worst-case scenario in the context of what would the capability be if such weaponry were unleashed on us?

Vice Chairman KERREY. Can you describe our vulnerability to information warfare?

General CLAPPER. I think in this context there potentially is great danger here, not so much in the context of on the battlefield, as much as the thing that concerns me is the potential danger, the potential vulnerabilities to our commercial systems, our banking. The very dependence that this nation has on computers—I think there is clearly a vulnerability there in a strategic sense, not so much perhaps in a battlefield combat situation.

Chairman SPECTER. Senator Kyl.

Senator KYL. Thank you.

General Clapper, in your written testimony you state that: Russia has active biological and chemical warfare programs. Politically, moreover, we believe that START II ratification in the Duma is

problematic and the Russians are continuing to express intense opposition to the flank limitations of the Treaty on Conventional Armed Forces in Europe. I'd like to ask you to comment on how robust you think the Russian biological and chemical warfare programs are; in your view what the likelihood is that Russia will eventually comply with the arms agreements. And I would add a request that you also comment on their degree of compliance with START I, which in both the missile and warhead drawdown has barely begun, at least as far I am aware.

General CLAPPER. Let me take the last question first.

With respect to START I, essentially we have no indications that they are not complying with the provisions of the Treaty. START II, again, is not ratified. It is problematical whether or not that will be a political decision that they would make. With respect to chemical and biological programs that the Russians have and their willingness to sign and comply with treaties, this is probably best left to an executive or closed session on that subject since a lot of the information that would bear on this issue is quite sensitive. So I think we would better serve you to discuss it in private.

Senator KYL. Fine. And also, I want to talk a bit more about the exact numbers of warheads and missiles that have begun to be drawdown under START I, since it has not been significant in my understanding. And we can get into the details of that later.

A question, Director Woolsey, to you, or any of the other members of the panel, because I don't know who is best to answer this. In looking into the future to predict where problems could arise that could very easily draw the United States in, you of course have a situation of North Korea, you have the Middle East continuously as a matter of concern, but also, particularly because of what's happening in Chechnya right now, the question of whether in the future a Russian government could become dominated by more nationalistic forces that would attempt to exert a Russian hegemony over the former—over at least some of the former republics on the periphery of Russia—and when the United States would become involved in the succession of actions that might be taken.

For example, I think most people believe that the Baltics are pretty much off limits now, but that maybe nothing else except possibly Ukraine is totally off limits. And so I guess the question is, what is your assessment of that situation as of today?

Director WOOLSEY. Senator Kyl. let me ask Assistant Secretary Gati for two reasons to answer that. First of all, she has a great deal of expertise with respect to Russia, reaching back some years, and secondly, she as an Assistant Secretary of State is the one member of this panel that has a least one foot in the policy community, and you edged over into policy terms toward the end of the question.

Toby.

[The prepared statement of Ms. Gati follows:]

STATEMENT BY TOBY T. GATI, ASSISTANT SECRETARY OF STATE FOR INTELLIGENCE  
AND RESEARCH

Chairman Specter and Senators, it is a privilege to share with you the views of the State Department's Bureau of Intelligence and Research on the current and projected worldwide threats to our national security and interests. As you requested, I will focus on the impact national and regional instabilities have on the Security

and economic well-being of the United States, its citizens, and allies. I also will attempt to organize and prioritize these threats, as much as is possible in a rapidly changing and turbulent international environment, by describing their potential effect on overall national security, on the safety and prosperity of individual Americans, and on other US interests.

The international security environment faced by the United States and its allies has changed, and thus the way we describe and categorize threats to our national security must be reassessed critically. For decades we lived in the shadow of nuclear war and our security was tied intimately to our competition with the Soviet Union. Policymakers, intelligence analysts and individual Americans were able to recognize the immediacy and importance of curbing the nuclear arms race and stopping the spread of communism.

The priorities of both intelligence and policymakers were clear and in sync. The end of the Cold War changed all this, requiring the intelligence analysts and policymakers—as well as our fellow citizens—to take a fresh look at the international landscape, to reassess the threat, and to redefine the challenges to our national interest.

Today, the United States does not face an immediate military threat to its physical security and we no longer fear a direct nuclear clash between two overarmed giants. Many of the military challenges to regional order, political challenges to global and regional stability, and economic challenges to our prosperity are now more indirect and long term. Some of the threats to our security and to international stability come from potential proliferators, rogue states, and terrorists, but the source of these threats is more diffuse. We use our military power, diplomatic skills and intelligence capabilities to prevent damage to our interests and to the structures we depend on to protect and promote democracy, security, and economic freedom and prosperity.

Accordingly, any description of the threats we face must be global. It must portray the full terrain of what the United States faces internationally. This mirrors the international reach of the State Department, in which all global events and trends must be understood, and of the Bureau of Intelligence and Research, which must respond on a moment's notice to the needs of the Secretary of State for information and analysis.

But the priorities of policymakers will of necessity be specific and more selective. As a result, intelligence collection capabilities, and especially the efforts of community analysts, must be similarly focused. If in the Cold War the intelligence community structure and priorities were like fixed beacons, the hallmarks of intelligence today are flexibility and responsiveness. Intelligence priorities must be constantly redirected to deal with new policy priorities or crises. In a word, the role of intelligence in support of diplomacy must be sharpened and strengthened.

There are still many secrets worth knowing and thus worth collecting—military secrets, political secrets, and economic secrets. This requires an ongoing commitment to providing the resources necessary for intelligence collection. But there is also a much greater premium now on analytical strength to provide added value to what policymakers understand about international affairs. A strong intelligence community—comprising collectors and analysts—is vital to the national interest. Intelligence has always been a vital component of the military's comparative edge. Today, it is more and more a part of the diplomacy through which we turn challenges into opportunities and achieve our national purposes.

With this framework in mind, I have sketched below some of the threats and challenges to United States interests and to the security and well-being of America and its citizens. Taken as an undifferentiated whole, almost every area of the world appears to pose dangers to America, its interests, and its citizens; only by locating the intersection of threats as defined by the intelligence community and interests as articulated by the policymakers can we give some sense of hierarchy to the way we collect and analyze information. Understanding that this mosaic contains as many opportunities for diplomatic success as it does challenges to our well-being conveys a more realistic sense of the tasks confronting America in 1995 and the role intelligence can play.

Let me review briefly the major categories of threats and challenges we face in the period ahead:

#### *Proliferation*

The proliferation of weapons of mass destruction (WMD) now poses the sole immediate threat to the United States and our key allies. To counter this threat, it is imperative to stop the transfer of technologies and materials associated with WMD, to roll back existing programs, and to deter the use of WMD. Strong efforts to date

to curb WMD proliferation have yielded results, for example in South Africa, Brazil, and Argentina. But destabilizing trends continue elsewhere:

In the Middle East, Iran and Iraq have developed and used chemical weapons and short-range missiles, and both remain interested in developing nuclear weapons, both indigenously and through the purchase of foreign technologies.

In South Asia, India and Pakistan are nuclear capable and continue to pursue missile systems, which if mated with nuclear technology will increase tensions on the subcontinent.

On the Korean peninsula, the recently completed Agreed Framework has frozen the North's nuclear program, a process verified by international inspection, but until the agreement is implemented completely, the Korean Peninsula will remain a top proliferation concern. If the agreement should break down, North Korea might resume its nuclear weapons program, which in turn could lead others in the region to reexamine options for nuclear and other unconventional weapons.

Efforts to curb proliferation will continue to have a high priority. We have too little information on suppliers of technologies and on indigenous programs of countries seeking weapons of mass destruction. Diplomacy will be heavily engaged during the next few months as the US presses for an unlimited extension of the Nonproliferation Treaty (NPT) at the NPT Review Conference this spring, as negotiations intensify on a Comprehensive Test Ban Treaty, and as controls are put into place to implement the Chemical Weapons Convention. Monitoring compliance with treaties and providing support for ongoing negotiations will be essential to the success of each effort.

The signing of the NPT and the provision of security assurances to Ukraine, Kazakhstan and Belarus in 1994 removed a major source of concern about the fate of nuclear warheads in the former Soviet Union. The removal of these warheads, which is proceeding ahead of schedule, is a major achievement.

Unfortunately, with the breakup of the former Soviet Union, we no longer have the certainty we once had about the safety and security of fissionable material stockpiles. These materials must not fall into the hands of would-be proliferators or terrorists, either nation states or subnational groups. We need more information on the efforts and capabilities of organized crime to obtain and smuggle nuclear weapons from these fragile states. The effort to combat proliferation, we now understand, requires integrated diplomatic, intelligence and law enforcement efforts on many different levels, often in cooperation with friendly governments and their intelligence services.

### *Russia*

I would like to share with you today my thoughts on where Russia is headed as it addresses its most severe test since the demise of the Soviet Union.

In dealing with Chechnya, President Yeltsin and other Russian leaders for the first time confront a crisis that is both military and political. Even when tanks rolled in the streets of Moscow fifteen months ago, the real crisis in the country was between political forces, and its resolution eliminated the prospect of further military confrontation. The army entered the political arena, but emerged from the confrontation largely unscathed and in support of Boris Yeltsin. In Chechnya, the Russian government has embroiled itself in a military confrontation with heavy civilian casualties and losses of men and materiel. The Russian military's morale has suffered a shattering blow and its public image has been gravely damaged by the daily pounding of battle footage on Russian television. Any victory the army can achieve at this point will be a hollow one.

The political and military fallout from the crisis is likely to be substantial and the intelligence community does not underestimate the difficult position Yeltsin is now in, nor the weaknesses in the Russian military the Chechen crisis has exposed. This will have enduring consequences for Russia's perception of itself, for its ability to project power, and its perception of its own vulnerabilities. The agonizing display of military ineptitude, compounded by political vacillation, adds yet another profound body blow to the already lengthy series of shocks to the Russian psyche.

Many in the Russian government understand that part of the tragedy of Chechnya is the increased vulnerability of the Yeltsin government to its political opponents. The Russian public, Russian democratic reformers, and many in the military worry about the prospect of "another Afghanistan," about the acute embarrassment of having the whole world watch a bloody invasion unfolding on their own territory; at having offered painful and enduring proof that Russia cannot exercise control even within its own borders; and at the prospect that Russia's Muslim population may become dangerously disaffected. Many worry that the Russian executive branch may no longer be anchored in the country's nascent political institutions or its constitution.

I would stress that the Chechen military disaster need not be a harbinger of Russia's political fortunes or the future of Russia's federal structure and national integrity. Outside the North Caucasus, there are no outright secessionist tendencies in Russia proper, where the most pervasive challenge to Moscow's authority is the diffusion, weakening, and unplanned decentralization of administrative and economic power. Chechnya's immediate neighbors—Ingushetia and Dagestan—are unlikely to follow its example and even the former Soviet republics that have the most to fear from a resurgent Russia—Ukraine and Azerbaijan—have restrained their criticism of actions taken to keep the Russian Federation whole.

I would also add that I do not share the view of those who see the last remnants of Russian democracy and reform going up in smoke as the city of Grozny burns. Indeed, a large part of the debate now raging in Moscow is how the crisis might be resolved through diplomacy and political negotiations, and whether Russia will apply to its internal affairs the international norms on human rights and the humanitarian standards that all states part of the Organization on Security and Cooperation in Europe (OSCE) pledged adherence to in the Helsinki Final Act and, most recently, in Budapest. Russians do not need to be told that how this crisis is resolved will say much about the prospects for the continued development of Russia as a democracy.

Russian diplomacy in the wake of the crisis is likely to become more assertive precisely as a result of the country's military setbacks. The Chechen crisis will increase the pressure on Russian leaders and diplomats to secure Russia's standing and defend Russian interests in the world in ways the military clearly cannot do. But surely one of the lessons of the past four years is that Russia can pursue its national interests in cooperation, as well as in competition, with the United States.

Even as Russian diplomacy appears to harden, it will not be cut in stone. This is especially true with regard to such sensitive issues as the future expansion of NATO and relations with the newly independent states. We will need to watch and listen carefully as the Russians look for ways visibly to count in a Europe whose evolution now more than ever is beyond their control. We will need to focus more on the dynamics of relations within the Commonwealth of Independent States (CIS), particularly in those hot spots where international peacekeepers may be required, as well as continue to analyze the evolving national identities of the newly independent states.

Russia's use of force against its own citizens reminds us how fragile the present political institutions are and how far Russia has to go to join the industrialized democracies. The growth of Russian organized crime and violence reminds us of the pressures on Russian social and economic institutions. Yet Russia's current plight reminds us too how much the world has changed from the time when our main interest in Russia was counting silos or warheads, when there was no public debate or critical press coverage of the actions of the government, and when the main task of the intelligence community was worst case military threat assessment.

### *Balkans and Europe*

The use of force in Europe to change boundaries or forcibly move people from their places of residence has a profoundly destabilizing impact on our European allies, efforts to build a new post-Cold War security system. These actions challenge the norms we live by, and call into question the ability of institutions such as the OSCE to guide peaceful change. We cannot be complacent just because these acts of force seem far away and do not directly threaten American lives, for a stable Europe and a strong NATO are vitally important to the United States.

### *The Middle East*

Iraq continues to be a threat to its neighbors, thereby endangering vital US security and economic interests. Baghdad continues a policy designed to obstruct the work of the UN Commission charged with ensuring Iraq never again develops or acquires weapons of mass destruction and, notwithstanding its recognition of Kuwait, remains committed to establishing regional hegemony and asserting control in the Gulf.

Iran also continues to pursue policies harmful to US interests and regional stability. It supports terrorist and extremist groups, such as Hizballah and Palestinian groups hostile to the peace process, and remains a major supporter of international terrorism. Iran also remains a potential threat to the Gulf Arabs as it slowly rebuilds its military forces—especially its coastal defense.

The promise of the Middle East peace process—to create a stable region, providing security for Israel and its Arab neighbors—remains vulnerable to attacks by opposition groups and to the inability of the parties to consolidate progress in the negotiations. Some vulnerabilities are state-specific. Egypt is under threat from militant Is-

amic groups that are also anti-American. Algeria faces on-going terrorist challenges to the regime from the Islamic opposition. The Palestinian Authority in Gaza-Jericho, unable thus far to deliver economic improvements, is threatened by Hamas opposition. Some problems are ideologically driven. Hizballah seeks to drive the Israelis out of Lebanon and to become a major player inside the Lebanese political system. In support of these objectives Hizballah practices terrorism world-wide.

#### *South Asia*

India and Pakistan have the ability quickly to assemble nuclear weapons and have plans to develop or acquire ballistic missiles. Tensions produced by the insurgency in Kashmir could escalate into a conflict in which the threat of nuclear weapons use would loom large. Afghanistan's political instability has spilled over into neighboring states, producing regional tensions that provide a fertile ground for Islamic extremism and narcotics trafficking.

#### *East Asia*

The rapid growth in China's material strength has raised the importance of China in the Asian security equation. China is a nuclear weapons state, a leading regional military power, and a global power with a permanent seat on the UN Security Council. Although it still has a low GNP per capita compared to other leading economic powers, it has one of the largest and fastest-growing economies in the world. It is thus essential for peace, stability, and economic growth in the Asia-Pacific region that China is stable and continues to develop friendly relations with its neighbors. The Chinese leadership has asserted that international peace and stability are prerequisites for China's achieving its economic modernization goals. In the early 1990s, China has normalized relations with Indonesia, Singapore, Vietnam, and South Korea, hosted the first-ever visit by Japan's emperor, and agreed to participate actively in multilateral organizations like APEC and the ASEAN Regional Forum (ARF).

China's published defense budget figure has doubled in the past five years, with real growth—adjusted for inflation—estimated at about 40 percent. This figure does not encompass all of China's defense expenditures. By comparison, United States, Japanese, and Russian defense spending has either remained level or decreased in the same period. China is expanding its naval capabilities and investing in modern fighter aircraft, including Russian SU-27s, as well as other new-generation military capabilities. Much of the defense budget increase represents growth from a low base, but China's effort to replace obsolete equipment, adjust doctrine to the new global security environment, and improve the professionalism of its 3.2 million-combatant army. China also continues to conduct underground nuclear tests, but has indicated interest in the Comprehensive Test Ban Treaty that may be signed in 1996.

China's military posture and development have a great impact on the expectations and behavior of other states in the region. Although China's leaders insist their military build-up is defensive and commensurate with China's overall economic growth, others in the region cannot be certain of China's intentions, particularly in this period of leadership transition. Moreover, it has territorial disputes with several neighboring states. China's military modernization effort is still in an early stage, but absent a better understanding of China's plans, capabilities and intentions, other Asian nations may feel a need to respond to China's growing military power. This will be particularly true as China modernizes its strategic forces, naval assets, and other forces capable of power projection. Our intelligence will give these issues high priority.

The DMZ between North and South Korea is the most heavily fortified boundary in the world and the danger of conflict remains unacceptably high. The magnitude and deployment of North Korean forces pose a serious threat to American troops and our South Korean allies. We must remain vigilant, both for indications of aggressive intent on the part of the DPRK, and for potential crises arising from misperception or miscalculation. Although the DPRK is attempting to jump start its ailing economy by implementing new policies to boost agriculture, light industry, and foreign trade, it continues to develop—and sell—intermediate range missiles to a variety of countries opposed to US interests.

Kim Jong Il appears firmly in control, at least for now, but we know far too little about the North and must continue to rely on intelligence and skillful analysis of available information both to alert policymakers to potential problems and to identify opportunities to defuse tensions on the peninsula. While there is room for diplomacy to diminish the threats posed by North Korea, no one underestimates the seriousness of current and prospective threats to US interests.

### *Terrorists and traffickers*

The destabilizing impact of terrorism far exceeds the number of terrorist attacks worldwide, and the potential threat to Americans and US interests is real. All of our major allies assign high priority to combatting terrorism and the intelligence collection and sharing that occurs on a daily basis is aimed at protecting Americans anywhere from even the most well-planned terrorist attack.

Nuclear smuggling has been given great prominence in the news recently. To date we have no reason to believe that rogue states are stimulating a black market demand for weapons usable material, or that organized crime is actively engaged in this traffic. Rather, it appears that the breakdown of internal controls in some new states is being exploited by small time operators, most of whom are only scam artists. Because of the grave consequences of even one case in which significant quantities of weapons usable material are successfully smuggled to proliferators or terrorists, we are monitoring this situation with great vigilance as a high priority.

Drug trafficking and other international criminals threaten nascent democracies, especially in the former Soviet states and in several Latin American states, by their growing political influence, enormous resources, and use of violence. Furthermore, their reach extends to the US, undermining our nation's social fabric and health. For example, Burma is not only one of the world's most repressive authoritarian regimes, but is also the source of more than 60% of the heroin consumed in the United States today.

### *Unfair competition*

Economic challenges to the United States have become a far more salient concern. Some, indeed most, result from the success of US-led efforts to open the international trading system and tough but essentially fair competitive practices. Others, such as bribery and other illicit practices, are more pernicious. They impact our country's economic well-being and have direct consequences for our citizens. Much economic reporting, analysis, and data is available from government or public sources, but economic intelligence can provide vital information on selected issues. The distinction between economic threats and economic competition must be preserved, however. Sound economic intelligence and analysis can help understand that distinction as the United States competes for business abroad.

Well-targeted economic intelligence can particularly effective on pernicious and illegal practices that perpetrators try to conceal, including bribery, money laundering, smuggling, and sanctions busting. The intelligence community can also make important contributions to the efforts of US policymakers to monitor other important foreign government trade and investment policies and practices, including compliance with international agreements in areas such as market access barriers, foreign investment, intellectual property protection, and other acts hostile to US economic interest.

### *UN peacekeeping, sanctions, and humanitarian interests*

Regional conflicts often require outside mediation, peacekeeping, and humanitarian assistance. The end of the Cold War has enabled the United Nations to impose sanctions and undertake peacekeeping and other forms of international intervention long precluded by the Soviet-American rivalry. This has created two quite different but equally important new roles for the US intelligence community. One involves providing increased support to the United States Mission to the UN (USUN) so that it will be better able to present our case to other UN member states on questions such as whether to relax the sanctions imposed on Iraq and the "Former Republic of Yugoslavia." The second is to provide intelligence and analysis for direct support of US participation in peacekeeping and humanitarian operations.

### *The challenges ahead*

It is the job of intelligence to describe the global environment in which the United States conducts its affairs, and to provide policymakers with additional tools with which to achieve our national purpose. Knowledge and information about our adversaries and their plans, and about challenges to US interests are vital. Timely and focused analysis is crucial.

The intelligence community faces a number of its own challenges in dealing with this global environment in the period ahead. How our government defines and prioritizes the threats to our interests should also define the role of intelligence. If everything is a potential threat and interests are not prioritized, intelligence resources will not be allocated in a way that gets policymakers information in a timely manner or the intelligence community will spew out irrelevant analytical memoranda. In addition, not enough thought has been given to the role of intelligence in

the increasingly interdependent global economy and the tasks given to the intelligence community to defend American economic and financial interests.

A second challenge relates to the proper relationship between intelligence and policy. Intelligence is a tool of diplomacy, and its priorities flow from the policy priorities of the government. While intelligence analysts must provide independent assessments of what they see, the choices they make about what to look at will be influenced by policymakers. Just as intelligence cannot operate in a policy vacuum, policymakers must involve the intelligence community in the articulation of national priorities from among the complex global problems that we face.

Third, as it becomes harder for the intelligence community to maintain global reach during a period of economic and budgetary constraints, choices will have to be made. In this respect, the intelligence community is like any other area of government. What problems we decide to focus on, what technical and human assets we decide to devote to understanding these problems, and in what areas of the globe we decide to concentrate our efforts will shape and be shaped by resource availability. If we make the right choices, we can have a strong, flexible, and responsible intelligence community providing needed support to our diplomatic and military efforts.

### **STATEMENT OF TOBY GATI, ASSISTANT SECRETARY OF STATE FOR INTELLIGENCE AND RESEARCH**

Ms. GATI. Thank you very much. I will try not to edge over into policy, but I will try to answer your question as best I can.

I think the current situation Chechnya shows a couple of things. One is how poor the military performance of the Russian military has been; and the second is how much of a political military crisis we're dealing with. This is a distinctly different phenomenon from what has happened in Russia before, where we've had mainly political crises. We are seeing in Russia now a substantial opposition to the use of force, even within the Russian Federation—although there is not a Russian who would want the Russian Federation to disintegrate—and I don't think it's in the interest of this country that the Russian Federation disintegrate. It is in our interest to maintain a Russia within its present borders.

This statement has two meanings. First, it's a looking inward statement, meaning that Russia should stay in its borders; the other meaning is that Russia should not again become a state that can reassert its influence in the states of the former Soviet Union.

I think as long as the diplomacy continues—and with the Ukrainians, the election of President Kuchma has made it much easier for the Russians to deal with the Ukrainians—and as long as there is a very active diplomatic side to Russian diplomacy, I do not think the Russians are aiming now to move on the areas of the former Soviet Union. I do think they want to have influence and they want to have predominant influence. That is a tendency that we must watch, because the countries that have just gotten their freedom want to keep it, and it is certainly in our interest to support the independence of the NIS states.

I think the search for a diplomatic solution in Chechnya will tell us much about how the Russians will deal with the NIS in the future.

And going back to a question I didn't have time to comment on, as long as we see the political debate continuing in Russia, as long as we see the press as active and free as it is now, it is too soon to talk about the "worst case" scenarios that have been discussed as plausible scenarios. I wish I had a dollar for every time someone in the Intelligence Community or the Congress had given up on Boris Yeltsin.

Senator KYL. Thank you, Mr. Chairman.

Chairman SPECTER. Thank you, Senator Kyl.

Senator Robb.

Senator ROBB. Thank you, Mr. Chairman.

Director Woolsey, I'd like to turn to North Korea for just a minute. It's been alluded to, but we haven't really focused on it yet. I wonder if you could provide whatever analysis is appropriate for open session with respect to the failure of the North Korean regime, if you will, to respond quickly to the situation with the downed helicopter pilot, the timing of the actual shooting that took place, the number of minutes that elapsed between the time the penetration was made and the time that the response was formally initiated; the failure of the Party to place upon Kim Chong-II the two additional titles that were held by his father; and any other insights, in terms of either the recent events or the political events in North Korea, that might have influenced the action or the nonaction in this arena.

Director WOOLSEY. Let me just say, Senator Robb, with respect to the succession and the naming of Kim Chong-II to the two titles that his father had that he does not yet, we see nothing at this point to suggest that there is a succession struggle in North Korea. We anticipate that in the fullness of time, whenever they call their various party congresses and meetings and name Kim Chong-II to the other two positions, that that will probably occur. There have been some health questions in the past about Kim Chong-II, but nothing at this point that we think would be serious enough to indicate that he would not take over the position of being fully recognized, with all of the hats to wear, so to speak.

Senator ROBB. Is there any reason that they would have withheld those two additional titles, though?

Director WOOLSEY. There are no reasons that seem to make sense viewed through American eyes, but one of the things you very rapidly need to get away from, I think, in this business I'm in through today, is mirror imaging and thinking that the North Koreans would think of things the way we do. This may have to do with their own scheduling of anniversaries of party meetings and the like. They put great store, as do many Asian societies, by anniversaries, and it may be nothing really more than that. We don't have anything at this point that would suggest a succession, a problem in North Korea.

There was back even under Kim II-song a history of factionalism in the North Korean military, and it's not unimaginable that if things continue to drag economically in North Korea, that that something could develop. But at this point we don't see any particular problems.

General Clapper served on the Korean peninsula and has a great deal of expertise in this area. You might see if he has anything to add. Jim?

General CLAPPER. I would agree with Mr. Woolsey's comment. I don't think we should read anything in to the ascription of the other honorific titles to—

Senator ROBB. What about the other aspect, though, that is in many cases more troubling, the unwillingness or inability of the North Koreans to come to closure on the question of whether or not

they should release the pilot, knowing that the international community was viewing this as a gauge of whether or not Kim Chong-II was in power or whether the military was indeed recalcitrant. Any comment?

General CLAPPER. Well, we went back and did a comparison between their behavior the last time we had such an incident, which was in 1977 when the Army CH-46 Chinook helicopter went down on the east coast of North Korea, and actually the behavior patterns were very similar. I think, frankly—and this is purely opinion—we don't know, but I think they may have wanted to extract as much mileage as they felt they could out of the situation. I think, although for us it seems a bit strange, but for them acknowledgement of guilt or responsibility on our part is very important to the North Koreans. They're very much into face. And I think they wanted to extract as much out of the situation as they possibly could. I wouldn't overplay the assertions in the media about the big debate that went on between the Ministry of Foreign Affairs and the Korean People's Army. There may have been some, but I think there would be any pulling and hauling between similar bureaucracies anywhere.

And I again would reiterate that I think Kim Chong-II is clearly in charge. He may be basking in the mourning period yet for the father. Again, a little hard for us, perhaps, to understand exactly their processes and the way they look at things. And I would agree with Mr. Woolsey's comment about not mirror imaging.

Senator ROBB. Let me then, recognizing your concern about mirror imaging and the difference in the way some Asian societies look at things that happen or don't happen, move for just a moment to China and Beijing and Deng Xiaoping. He has not been seen or heard in some period of time. Any comment on his health or the prospects for succession being orderly or specific?

Director WOOLSEY. There have been several press reports in Asia of his having been hospitalized in recent days. Whether or not those are true, he is no longer really an active player in the decisionmaking, we believe, in China. We tend to think that the next generation of leaders will have a somewhat different style than those in Deng's generation. The leadership under him was closely knit and he, himself, was inclined to a sort of grand vision and sometimes really very sharp turns in direction. The successor generation in China is likely to be far more technocratic and bureaucratic. But substantively, we rather believe that policymaking will exhibit a fair amount of continuity. China is constrained in some of the choices that it confronts by its path of economic modernization. The party's hold on the population is weaker than it used to be, and so sharp changes in direction dictated to the—by the party to the population are going to be somewhat difficult. And we also tend to see few real, you know, fundamental differences of opinion between the leaders of Deng's generation and the successor generation.

We're still going to have some problems with China on proliferation. They have economic incentives to do that. We're still going to have some problems with them with respect to human rights. Tend to think that their very modest movement in the direction of political reform—they've recently gone toward election of village officials

for example—will probably continue, but radical liberation is, we think, rather unlikely.

Senator ROBB. Thank you, Mr. Chairman.

Chairman SPECTER. Senator Cohen?

Senator COHEN. Secretary Gati, I'd like to just follow up on what you said about the Chechnya situation being a profound embarrassment to the military. I would suggest it's also a profound embarrassment to President Yeltsin, and perhaps also to the United States as well, in the way in which it is being carried out, the campaign over there.

I find it inconceivable that the president of Russia could have ordered a cessation of the bombing, and yet every day we watch the newscasts and see the bombings continue. How can we not come to the conclusion that Mr. Yeltsin is dominated by the military rather than the political structure dominating the military? I think that's only one example, as a matter of fact, because Yeltsin some years ago ordered the cessation of biological and chemical weapons development, and according to General Clapper's testimony, it's continuing to this day.

So we come to a conclusion either President Yeltsin is not getting the truth, President Yeltsin is not telling the truth, or number three, that he has no power to insist upon the truth. But it seems to me that we are looking at someone who is not in a position to issue orders and have them carried out by his military. And I think that we find ourselves—I think Peter Rodman suggested that you have three—it may not have been Peter Rodman, but I suspect he might agree with this—that you have the three institutions or people who are supporting, or at least not objecting violently to what's taking place in Chechnya: the military, Zhirinovsky, and the U.S. by failing to denounce it much sooner.

But I must say that I think if you look at what the Russian military has done in Georgia, nearly bringing Shevardnadze to his knees before then offering help, provided he agreed to join the federation; if you look at their activities in Tajikistan and Moldova, I think it's almost inescapable that there is an effort underway to reunite the former republics under the banner of the Russian flag. It may not be by active design, but I think that it is nonetheless inexorably taking place.

I would like to—I'll give you a chance to comment in a moment—to direct a couple of questions to the Director. The former DCI, Bob Gates, made some recommendations a short time ago. They were carried in an article written by Walter Pincus of the Washington Post. I haven't read the speech or the article given by Mr. Gates, but he recommended several things which caught my attention, which it seems to me should be under active consideration.

First of all, he recommended that there be a director of military intelligence. It would have to be headed up by a four-star officer, to assume all responsibility for analysis of foreign weapons and military force levels. And that, in his judgment, would put an end to the competitive military analysis between the services and the CIA. He would make one exception, I believe, for nuclear, chemical, and biological weapons, to make sure that there is at least some competitive analysis in this respect.

He would transfer all paramilitary operations to the military. He would take the CIA science and technology directorate out of the managing of imagery satellites and transfer it to either the NRO or to a new national imagery agency that would be based in the Pentagon. He would take the economic, statistical analyses and perhaps transfer them either to Commerce or perhaps to our Trade Representative, USTR's office. And he would terminate the National Intelligence Estimates in all but unique cases.

I'd like to get your response to each of those, I think, fairly substantive recommendations.

Director WOOLSEY. All right.

I think, with respect to essentially sorting out military analysis work as between CIA and DIA, we've been doing a lot of work recently, including offsite conferences—some of the people who participated in them are here—between DIA and CIA, in order to do a better job of parsing these responsibilities out. I'm personally satisfied that that is going quite well.

CIA and DIA started a program in '93 to closely coordinate their intelligence production and found that there really was little duplication, and this stems in part from different consumer bases. DIA responds very frequently to military commanders and the like, whereas some of the CIA analysis tends to be more nationally focused.

We've already made a number of changes in the way that the CIA and DIA do business. DIA now has responsibility for order of battle production of intelligence, and we have a variety of mechanisms—quarterly exchanges of production schedules and analyst-manager visits and the rest. This year for the first time we'll publish our scheduled production plans for DIA and CIA under one cover in a coordinated fashion.

In short, I think with respect to a parsing out and avoiding unnecessary duplication of analytical work, what Bob thought at the time he left the Agency ought to be done has largely been done. I believe that with respect to the DMI recommendation, the United States tends to be the envy of many intelligence setups in other parts of the world precisely because Congress took the action back in 1947 to establish the position of Director of Central Intelligence having the overall coordinating function for U.S. national intelligence.

Even if that didn't change with the existence of a director of military intelligence, I think that particular title suggests a parallelism which I don't think is in the interest of the United States as a whole or in the management of overall American intelligence as a whole. General Clapper, wearing his current hat, chairs the military intelligence board in the Pentagon. He is the Director of the Defense Intelligence Agency. And I think it would be unfortunate if what is, I think, today a perhaps complex but nonetheless a system that lends itself to coordination under a single authority evolved into one where you had parallel authorities. And I hasten to say I have no personal interest in this matter after close of business today, so I am offering you my absolutely unguarded judgment.

I think with respect to paramilitary efforts, it's hard to say anything very much about this outside an executive session. But let

me say that the CIA's capability to conduct these types of efforts as covert action are really quite limited. But when the country wants some sort of capability, that can be done under the covert action rubric, with appropriate signature of a Finding by the President and communication to this Committee and the House Committee of that finding, it does seem to me that the possibility of secrecy and the rest is substantially enhanced by maintaining a small but nonetheless, I think, very professional capability for this sort of thing inside the CIA.

I think that the situation that we have today with the National Reconnaissance Office operating as essentially a joint venture of the CIA and of the Department of Defense works well. We have recently gone through a major reorganization of the National Reconnaissance Office to put it on functional lines rather than the old programmatic lines that produced, I think, some of the rivalries in the past, which Bob's recommendations react to.

There was a proposal at the time the Central Imagery Office was established to give it more teeth and more authority, somewhat along the lines of the National Security Agency with respect to signals intelligence. You can ask the Director of the CIO in hearings what she thinks, but my impression is that the Central Imagery Office now, in terms of producing an architecture for imagery throughout the community and imagery dissemination, is doing a fine job, and I don't see the need to make organizational changes with respect either to interfere with the organizational structure of the NRO today or to change the structure of the Central Imagery Office. I can agree, I think, that those require study. That might be a subject for the new Presidential Commission to look at.

The statistical macroeconomics work which the CIA does with respect to economic analysis is very, very limited in numbers of people involved. We essentially do that only with respect to countries where open market access to the work of economists and academics is not available. I think insofar as we are trying to do it with respect to closed societies, the CIA is probably the place to do it rather than the Department of Commerce. And I forget your final question, Senator, about terminating—

Senator COHEN. I think it had the Science and Technology Directorate, transferring that out.

Director WOOLSEY. Oh, I think that is a terrible idea. I mean, I think that the creativity which the Science and Technology Directorate at the CIA has been responsible for over the years, including essentially the invention of the whole world of U-2s, SR-71s, reconnaissance satellites and the like, has been remarkable. And I have created a special award named after R.V. Jones, for the people who have done such a fine job over the years in creating the tools for modern scientific and technical collection. I think that creativity is intimately involved with their position in the CIA and their involvement in sort of a keystone of the Intelligence Community in the science and technology area. And on that one, I would disagree with Bob very much.

Senator COHEN. Mr. Chairman, I'm told that people are having trouble picking up my questions through these two microphones, but that the answers are forthcoming. I'm not sure that's a conspir-

acy on the part of the Director at this point. The answers are far more positive than apparently my questions.

But thank you very much.

Chairman SPECTER. The direct responses, Senator Cohen, make it clear what the question was.

Senator Mack.

Senator MACK. Thank you, Mr. Chairman, again.

I just asked Senator Cohen whether there's been much of a discussion with respect to Iran, and I'd like to focus some attention on that. I remember a couple of years ago I took a trip into the former Soviet Union and then into Kazakhstan, and after that into Israel. The concern at that time was weapons of mass destruction, the technology and weapons coming out of the former Soviet Union into the Middle East, and concern about Iran. I wonder if you might just touch on that whole area for us and give your assessment of where would you place that as far as the risks are concerned, and in the context with that, I guess, the issue of Muslim fundamentalism and its impact in that whole region.

Director WOOLSEY. Senator Mack, I would say with respect to Iran and weapons of mass destruction, particularly nuclear weapons, as is the case with most countries, the long pole in the tent is obtaining the fissionable material. Iran is a country of substantial oil wealth if they manage their economy in a more sensible fashion. It has a highly educated cadre of scientists and technicians, many of them educated in the United States, with a great deal of expertise. And their nuclear program is at an early stage, but they have the infrastructure and the wherewithal to do very competent work on nuclear weapons as soon as they can get the fissionable material.

So, the question really comes down to how long would it take them to get there? Our judgment really is under the most likely series of events in which they would rely on their own resources, it would probably be sometime early in the next century before they would be able to produce enough fissionable material for a nuclear weapon. Russia has recently signed a contract to complete their nuclear power project at Bushehr, and Iran could derive some training benefits from this, but it will not, as we understand it today, directly feed into their nuclear weapons program. If, however, they are able to obtain fissionable material from outside Iran, through international organized crime channels, through black market purchases, whatever, that period of time could shorten substantially. And in the various assessments that you hear—

Senator MACK. Let me just—

Director WOOLSEY. Yes?

Senator MACK. Let me just ask a question of clarification. You said early next century. What does that mean?

Director WOOLSEY. Well, we're—

Senator MACK. If they obtain the fissionable material, what—

Director WOOLSEY. We're—I think we might be able to be a little more precise on that in executive session, but I'd rather not in open session. The main thing I want to stress is that if they get fissionable material from an outside source, that time could shorten.

Senator MACK. Continue. Go ahead with your—

Director WOOLSEY. All right.

The other part of the question you asked had to do with Islamic extremism. I tend to use the phrase "extremism," by the way, rather than "fundamentalism," because there are a number of Muslims who have very fundamentalist views who really do not evidence the political extremist characteristic, which is what we are normally talking about here.

At the heart of the problem is, I think, that Iran really regards itself as the font of using a version, its version of Islamic doctrine, to promote anti-Western politics and even terrorism in a number of countries, and not only among Shii'a but also among Sunni. Iran is the principal international sponsor of Hizbollah, which is the world's premier terrorist organization. They are also the principal international sponsor of several other terrorist organizations which work together with them and with Hizbollah and sometimes with intelligence services and individuals in such countries as Sudan in order to try to spread Islamic extremism and violence tied to it into other countries—Algeria, for example.

So a great deal would change positively in the world with respect to the terrorist and violence side of Islamic extremism if Iran should change its policies. There are underlying trends in the Islamic world—large numbers of young people without full employment, poverty, a history of the Islamic world having been badly treated, I think particularly by the European powers in the years between the two world wars. There's a whole history here which has given rise, I think understandably, to a resurgence of interest in religious values, and in that sense the United States has no quarrel with devout Islam.

The real problem from our point of view is that some nations—and Iran is front and center, and Sudan is not far behind it—are using or trying to use this resurgence in religious feeling, very understandable resurgence in religious feeling in the Muslim world, as a source of political power, as a source to promote terrorism and violence.

Senator MACK. Mr. Chairman, can I just ask one kind of follow-up question? I don't want to take advantage of—

Chairman SPECTER. You may.

Senator MACK. It has to do with Iran, again. There's also, looking through the testimony, indications of Iran obtaining advance SCUD missiles and, I gather, longer-range capabilities. The potential combination of a longer-range missile and the development of nuclear weapons, would really have a dramatic impact on the international relations in that part of the world.

Director WOOLSEY. Absolutely, Senator Mack. It's a great concern. Iran continues to work with North Korea in trying to obtain ballistic missile technology, and we're concerned that that could lead to longer-range ballistic missile technology as the North Korean work progresses.

We're also concerned not only about their work on nuclear weapons, which, as I said, under some scenarios may be some years from fruition, but their work on chemical and biological warheads as well. It is a troubling and dangerous set of developments.

I'm going to ask General Clapper to—

General CLAPPER. I would agree with that. It is very ominous. I think with our preoccupation somewhat with Iraq, that we've a

tendency perhaps to forget what's going on next door in Iran. At the same time, though, they have had some serious financial problems, a very large debt, which I think will put a crimp in their attempts to obtain outside assistance, and would be key to the pace of the acquisition of a nuclear weapon. That, in addition to the pressure they have with population growth, they've got some significant economic problems to deal with. But clearly they are a concern as they flex their muscles in the region and foment terrorism.

Senator MACK. Thank you, Mr. Chairman.

Chairman SPECTER. I will return to the question that I pursued at the end of my last round on Russia, but at the moment I would like to turn to the subject of North Korea.

General Clapper, you say very bluntly that North Korea continues to be my major near-term military concern in your statement, and Director Woolsey points out North Korea's ballistic missile program with their existing range of test flights, 100 kilometers, and projected for more, and notes North Korea and Iran have carried on extensive negotiations on ballistic missile cooperation.

I am very much concerned about the agreement which was recently made by the Executive branch with North Korea, and have a concern as to whether it comports with the Constitution in terms of treaties being ratified by the Senate. And it has all the indicia of a treaty—that line is not easy to draw as a matter of constitutional law, but it certainly is a matter of enormous importance, a major matter. And when you have a treaty, then you have the ratification process with the very incisive look at what is provided with an opportunity to evaluate our national interest.

And the delay in inspections poses a real concern as to our ability to evaluate how far along the North Koreans are on developing nuclear weapons. And I understand some of the representations made by the Administration that North Korea has complied beyond the Nuclear Non-Proliferation Treaty, but those are questions which I think require a good deal more analysis and public exposure and public debate than we have had at the present time.

The question that I would like to turn to specifically at the moment, General Clapper, I think you may be in the best position to answer, turns on what is the potential for a country like North Korea or Iran developing ballistic capability which would threaten the continental United States?

General CLAPPER. Well, even if projecting ahead some years past the NO DONG, which is an improved SCUD missile—tested once—and which if operational and fielded would pose a significant threat to the region—that is, Japan and, of course, our forces that are there. Ultimately the follow-on missiles, the TAEPO DONG 1, the TAEPO DONG 2, would pose, at least as best we can assess it right now in the absence of observed testing, a threat potentially to Alaska, certainly, but not to continental United States. Of course, we are talking about a missile that again, they have not actually fielded yet.

But I think the point of your question, sir, is quite apt, as we see nations strive either indigenously or through outside help, to acquire ballistic missile capabilities, the long term trend here, the long term prospect, is quite bothersome. But in terms of a threat

to the continental United States from Iran or North Korea, I don't see that.

Chairman SPECTER. Well, it's very disconcerting to think about threats anywhere in the Pacific, and more disconcerting to think about a threat to Alaska. But with that kind of development of ballistic projection, how long would it take, if you can say, to project beyond Alaska to the Lower 48?

General CLAPPER. I can't say that, sir. We don't have any—to our knowledge, there is nothing in work right now that I could point to specifically that would—that the North Koreans are developing that would pose a threat to the continental United States. However, I am not saying that in the future that it is beyond the realm of possibility, but right now, I cannot—I cannot project a threat like that.

Chairman SPECTER. So you just can't say as to the future, but of course, it is a problem that could be upon us—can you give us a ballpark figure? The concern I have—

General CLAPPER. Well, assuming—

Chairman SPECTER. Well, let me finish the question. The concern I have is that your statements are full of about two dozen countries which are developing nuclear capabilities. And that's an awesome problem, and where you have North Korea and Iran combining on ballistics, what do we do about it? We really ought to be thinking very hard now about how we cope with that ballistic potential and how we cope with the other countries which are developing nuclear weapons. And the statement of Director Woolsey refers to nuclear materials which were stolen so that rogue entities, maybe not even countries, can develop this kind of potential which is very, very awesome.

What do you think, General?

General CLAPPER. Well, in the case of North Korea, if you assume that there is no change in the regime or that no progress is made on some form of unification of the peninsula or some other relaxation of the tensions on the peninsula, and frankly, I am more of a mind that there will be an improvement in the atmosphere, and over time there will be a relaxation of tensions. Ultimately, given the extremist state that the North Korean economy is in, there will be progress made on other fronts.

Now, if there were not, which again I don't think is the likely scenario, and I am talking now into, say, the year—the period 2005—and if the North Koreans continued missile development, then, you know, that could potentially be quite ominous. But as I say, if my sense now is the trend will be more positive. I am speaking specifically of North Korea.

Chairman SPECTER. Well, the red light is on. I am going to come back when my turn comes again to Iran where then prospects are not good at all for improved relations. I am frankly skeptical about North Korea. I wouldn't want to rely on improved relations with North Korea when they are having ballistic capabilities. But when you look at the other prospect at Iran, or you turn to Iraq, with the statements being full of Saddam Hussein's increasing his military potential, this is the kind of a concern which I think we haven't paid enough attention to.

Senator Kyl?

Senator KYL. Mr. Chairman, I will let you just continue unless Senator Mack has questions, except for this observation or question perhaps. Isn't it the case that really the primary way that the North Koreans have to make money today from the outside world is the export of their weapons, so that the very problem we are concerned about here continues to pose a problem for us in other parts of the world, even if it isn't immediately of concern to North Korea and the Korean peninsula.

Director WOOLSEY. The sales of SCUDS and worse abroad is one major source of hard currency for North Korea. The other one is remittances to North Korea from the North Korean community in Japan, through the so-called Chosen Soren structure, organization. But when you look at the deplorable state of North Korea's economy, particularly out in the rural areas people are really hungry, you can see, and the difficulty they have in getting credit and the like, you can see the very strong driving factor they have for those overseas sales of whatever they can sell and given the way they have spent their resources and structured their economy, about the only thing they have to offer is exactly as you said, Senator Kyl.

Senator KYL. Mr. Chairman, I didn't want to take any more time.

Chairman SPECTER. Oh, no, that's fine. Thank you, Senator Kyl.

Turning to page 24 of your statement, Director Woolsey, looking at the threat posed by theft of highly enriched uranium, you say, "For example, highly enriched uranium was recently stolen from South Africa, and last month Czech authorities recovered three kilograms of 87.8% enriched HEU in the Czech Republic, the largest seizure of near weapons grade material to date outside the Former Soviet Union," close quote.

Now, when you talk about near weapons grade material, what kind of a threat does that pose, if not by ballistic projectile or somebody bringing in a nuclear weapon into the United States and using it for blackmail or terrorism or who knows what?

Director WOOLSEY. Well, one would have to enrich that somewhat further and would need something more of it. In order to go into the exact percentages and weights, we ought to do that in executive session. But it then also would require the actual fabrication of a weapon of some sort.

The problem is that if one is simply talking about a terrorist device, a relatively primitive device could conceivably suffice. And we don't have there enough material for a weapon, but it is getting up into the ballpark. You put your finger, Mr. Chairman, on a very, very difficult problem. The real gravamen of this from our point of view, I think is the research facilities in the Former Soviet Union. There are a lot of them. Nuclear weapons custody tends to be comparatively well and responsibly managed in the Former Soviet Union. But research facilities, which can produce a few kilograms of plutonium or a few kilograms of highly enriched uranium, if you put several few kilograms together, you could conceivably end up with enough for a weapon. And I think it is the security of those facilities and the way the custody of plutonium and highly enriched uranium is managed, as well as the existence of substantial organized crime organizations within the Former Soviet Union that gives us a good deal of concern.

Chairman SPECTER. Before turning to Iran, I would like to come back to you, General Clapper, on your assessment of improved relations with North Korea. Why do you think that?

General CLAPPER. I think the economy of North Korea is going to drive the North Korean leadership to opening up the very closed society that they have attempted to maintain. It is my observation, based on studying the problem pretty hard, starting with the time I served in the mid-80's as the Director of Intelligence for U.S. Forces in Korea that Kim Chong-il is more oriented towards economic development in North Korea. I think he probably realized—has realized for a long time that that is a very serious problem for them. And I think they are coming to the realization that they must do something about this situation. And I think once the North Korean economy is opened up to outside development and assistance, particularly from the Republic of Korea, which already has an on-going extensive trade activity with the North, that that will lead to some reform and a relaxation of tensions over a period of years. I think that is a more likely probability than a war on the peninsula.

That is not to disregard or minimize in any way the very tense situation there with the number of forces that are armed to the teeth, confronting one another across the DMZ.

Chairman SPECTER. Well, I hope you're right. There are a number of statements in these prepared texts which suggest that North Korea is maintaining its high percent for the military, but I repeat, I hope you're right.

Turning for a moment to Iran, what is the potential threat from Iran on nuclear weapons from their joint efforts with North Korea on ballistics?

General CLAPPER. Well, as Mr. Woolsey indicated, the Iranians are pursuing across several fronts development of weapons of mass destruction and nuclear capability, and again, the pacing factor there I believe will be both from a materials and technical assistance standpoint will very much drive the pace at which they might acquire such a capability. And there is pretty good evidence that they are pursuing chemical and biological research activities as well.

Clearly if they were able to mate these weapons capabilities with a delivery means, certainly poses an ominous threat, unquestionably for the region, in the future. And it is an area that will, I think, be of great focus for the Intelligence Community for the next few years.

Chairman SPECTER. When you talk about threats to the region, I note on page seven of your prepared text, you focus on the, as you put it, "The greatest threat to Israel's security over the mid-term will be from the increased numbers of long range surface to surface missiles equipped with weapons of mass destruction warheads," close quote.

What kind of planning or efforts are we undertaking or jointly with Israel on that threat?

General CLAPPER. We have a very close relationship with the Israelis, which applies across the board, and certainly in an intelligence context as well. That is probably the extent to which I should comment on that in public.

Chairman SPECTER. When you take a look at the 23 other countries which you say, Director Woolsey, are pursuing the development of weapons of mass destruction, where are we heading on that? How much intense analysis or thought is being given to that? Some suggestion has been made that there might be utility in having the Senate Intelligence Committee look specially at that, or by having a task force directed just to the proliferation of nuclear weapons. We are doing a lot of studies in a lot of directions, but as I hear the testimony today and study your prepared statements, it looks like an open-ended threat, and I don't—I am not suggesting that there is an answer, certainly no easy answer.

But my question to you really is twofold. To what extent is really an intense effort—to what extent are really intense efforts being directed today by the Intelligence Community, and do you think it might be helpful if there was some special effort made by this Intelligence Committee on that subject?

Director WOOLSEY. It is a very intensive effort on our part, Mr. Chairman, but in my judgment the Community should welcome a special attention and focus on this subject by the Committee. It is right at the top of our priorities. When one talks in the range of two dozen countries, that would include work on chemical and bacteriological weapons. The nuclear problem has gotten more severe in recent years with respect to Iran, and if sanctions are removed, of course, Iraq and North Korea.

With respect to numbers of countries developing nuclear weapons, there has been some good news with respect to South Africa and Latin America, for example. So there are—but particularly in North Korea and in the Mid-East, the potential for nuclear as well as other weapons of mass destruction being developed and especially by countries such as North Korea and Iran and potentially Iraq, that have very hostile intentions towards the United States and our friends and allies. Those subjects are right at the top of our sets of priorities. And I think the Community would probably welcome the Committee's interest in and focus on that subject. We have a lot to say that we could say particularly in executive session.

Chairman SPECTER. Iran continues to pose an enormous threat vital to U.S. interests, as we have talked about on the nuclear subject, and about international terrorism, and there has been a total absence of any dialogue directly between the United States and Iran. A number of us have made efforts to inquire into that subject or to travel there, to try to have some direct assessment as to what could be done with Iran. We have developed a dialogue with North Korea. There's been limited dialogue with Castro in Cuba on some of our concerns. I'd be interested in your personal assessments on the desirability of at least trying to deal in a direct way on some of these problems. They are not getting any better with Iran by the current policy of having no contacts. And I understand, I've talked at some length with the Secretary of State—the former Secretary of State about isolating Iran and not giving them any recognition, but our current policies are not too fruitful. Why not some effort at dialogue?

Director WOOLSEY. Those on the policy side of the government would be better interlocutors on this subject, Mr. Chairman. I

think the only thing I would contribute at this point—maybe Mrs. Gati would like to say something on this—is that we do not on the key issue of terrorism, the key question of whether the Iranians are going to continue to sponsor the international terrorist movement in the fashion that they have, we don't detect a moderate faction on that issue, and in many ways, that issue is right at the heart of the United States' problem with Iran. We don't have a long term strategic interest, at least in my judgment, in having Iran be poor or isolated or anything else. There is no reason why the United States and Iran should not be able to get along. But what looms as a major and perhaps the principal barrier to that is their government's almost singleminded pursuit of international terrorism as an instrument of national policy. And in my judgment, if there were some way that they would step aside from that, the possibilities of dialogue and better would be substantial.

Let me see if either of my colleagues would have anything to add.

Chairman SPECTER. Well, let me ask two more questions before yielding to Senator Kerrey. And along the same line, about Iraq. Your statement goes into some detail about Saddam's rebuilding his forces and hiding SCUD missiles and chemical munitions. How is it that given the consequence of the Iraq—the Gulf War and the embargoes and the limitations and the economic problems of Iraq, that Iraq and Saddam Hussein continue to have so much apparent success in regaining tremendous military power?

Director WOOLSEY. Well, he does not have the kind of military power he had before the Gulf War, but he has single mindedly devoted what resources Iraq has towards personal aggrandizement and personal power. He has channeled food and money and resources towards Republican Guard and particular subsets of the Republican Guard to enhance his own position of power. He is—and this is by actual count, Mr. Chairman—working on the construction of some three dozen new palaces for himself in addition to the more than a dozen he has now. He will have over 50 palaces before long, while the people of Iraq are going hungry. He singlemindedly spends his resources on himself and on the tuning up of the instruments of military power that he could use, and that are directly responsive to him, and has let much of the rest of the economy and his people go hang and go hungry. And for singleminded devotion to personal interest, he comes pretty much right at the top of the world's leaders, I would say.

Chairman SPECTER. Well, your last statement raises a lot of questions which I won't go into now. We'll take them up later. But it is amazing to me how he can find the assets even for that, with what efforts have been made against him.

Let me ask one final question before yielding to Senator Kerrey, and that is to Ms. Gati, where you said on the Russian subject that it is in our interest to see the Russian Federation remain intact, and when we see what is going on in Chechnya, and the brutality, and you hear statements by, say, Vice President Gore, that it is an internal matter for the Soviet—for Russia, and you see the horror stories coming out of there, what are the concerns that the United States has in terms of our interest to keep the Russian Federation intact and how far can they go with that kind of brutality before

it raises a different response from our State Department or our Administration?

Ms. GATI. Senator, I repeat that I do believe that it is in our interest to see the Russian Federation remain intact. Russia is 80% Russian and has given up enormous amounts of territory which it never should have had under the Soviet Empire and Soviet Communism. But it is very much our concern how Russia pursues its policies. And I think there are agreements Russia has signed, the Organization of Security and Cooperation in Europe, the Helsinki Accords, its own constitution which deal with the question of how you structure your relationship with the various parts of the Russian Federation. I think it is important that we focus attention on the adherence to international norms and to the agreements that Russia itself has said it will adhere to, and I don't see any contradiction between the two. But I think it is very much in our interest that Russians resolve this problem peacefully, because it says a lot about the relationship of the center with the other territories in the Russian Federation that are based on ethnic groups, and also about Russia's relations with the states of the Former Soviet Union.

And there is no one watching events in Chechnya more carefully than Georgian President Shevardnadze and the leaders of Azerbaijan and the other various republics such as Kazakhstan, who also face threats of secession and are very much aware, as we are in the Intelligence Community, of the danger of a resurgent Russia.

Chairman SPECTER. Well, your answer raises a great many concerns and questions, but we'll have to take them up later in the interests of time.

Senator Kerrey.

Vice Chairman KERREY. Thank you, Mr. Chairman, I really have, like you I suspect, a long list of things that I would like to ask. Still of interest to me, Mr. Woolsey, is this need to do more than just have our overhead imaging scanning and collecting information. And all of a sudden we respond to the latest crisis, the latest international incident, and that becomes kind of the subject for the day. What is the status of this National Intelligence Commission, the NCI, what did you call it—

Director WOOLSEY. The Needs Process.

Vice Chairman KERREY. But is it sending a recommendation to the National Security Council as to what they see as the threats and how they see those threats needing to be prioritized and what kind of planning needs to be done in order to both maintain the capacity to monitor and the capacity to meet those threats if they go from capability to intent?

Director WOOLSEY. I think the best way to put it is that the operations of the Needs Process over the last couple of years produced several months ago a strawman essentially, that was submitted to the National Security Council to look at, for them to use as a basis of deciding, and by the National Security Council, I don't mean just the staff, I mean the principals—Secretary of State, Secretary of Defense, and so on—for what the country's intelligence priorities should be.

We have been working with the NSC staff and I rather expect a Presidential Decision Directive on these priorities relatively soon.

I think the best way we could bring the Committee into this is if I were to ask Christine Williams, the Chairman of the National Intelligence Council, to brief the Committee in executive session on the Needs Process and the status to date, because frankly, I think the Executive branch would benefit greatly by working on this issue in partnership with this Committee and the House Committee. And it's relatively far along and I think well structured to accommodate a dialogue of exactly the type you were mentioning.

Vice Chairman KERREY. Well, as you no doubt know, it is always dangerous in democracy to persist too long in doing something where you don't have the people's permission.

Director WOOLSEY. Yes.

Vice Chairman KERREY. And you know, it troubles me today to have the sense that we are doing—we're still sort of maintaining an intelligence operation and that we've not done the reality check with the American people. We have not really built that new consensus. I mean, I get concerned when I listen to the kinds of questions and when I read, I mean editorials, left to right, all regions of the country, are questioning the basic need for this intelligence effort at all. And yet, in executive session, and the secret deliberation, I am provided with a substantial amount of information that leads me to the conclusion that the effort is still needed. We may need to organize it differently. We may need to push more of it out into the public arena which I think is needed to do. We may need to prioritize and make it clear that this is what we are going to do, these are the capabilities that we will maintain and likewise, here are the capabilities that we will not maintain. Here are some things that we are not going to be doing.

I mean, all that needs to be done, but I think—I mean, I am just telling you my honest evaluation is that we have an operation that is proceeding without the consent of the people at the moment. And that is something that, as was demonstrated on the 8th of November, one can only do for relatively short periods of time. And given what is at stake here, which is the nation's security, the one thing if you are talking about some other agency of government where you could make a case that if you louse it up, why it's not that big a deal. But here you're talking about the nation's security, we can ill afford to not act upon that evaluation.

Director WOOLSEY. Well, I think the Intelligence Community would be eager to work with you and the Committee on this.

Vice Chairman KERREY. Do you think that the classification system continues to impede our capacity to be able to have this dialogue? I mean, do you feel like we are moving expeditiously to calibrate the classification system so that we don't find ourselves in this Lewis Carroll environment where you can't talk about the very thing that you need to talk about in order to be able to make the right decision?

Director WOOLSEY. Well, shortly after I took this job I went to Les Aspin, then Secretary of Defense, and we commissioned a joint security commission to look at the whole range of security issues, and classification was one of them, chaired by Jeff Smith, an attorney here in Washington.

It came out with some, I think, very sound recommendations for simplification of the classification system. This is a separate issue

from the declassification of older records, which is a program that is proceeding along a different track, a related track.

The Smith Commission recommendations led to the establishment of a body that is co-chaired by me and the Deputy Secretary of Defense that has been taking actions all along. For example, I have taken steps to substantially reduce the classification level of much of the satellite imagery in order for larger numbers of people in the government to be able to use it at a secret level rather than a codeword level.

And a number of those initiatives are underway. I must say that I personally believe that although there are some things that can be simplified, I believe that some of the very rigid and demanding restrictions that are now put upon the use of signals intelligence by statute in order to make easier prosecution of people who disclose communications intelligence and the like, might well be something Congress ought to consider for the products of human intelligence and espionage as well. It is possible not only to lose signals intercepts, but to lose agents. And so there are corrections here in both directions that I think are needed.

But I think if I would send our staff director of the Joint Security Panel that John Deutch and I co-chair up to brief the Committee staff and the Members who want it, I think we could show you what steps, at least, over the last few months since it has been up and rolling have been taken in order to move towards some of these simplifications.

Vice Chairman KERREY. Well, Mr. Chairman, as I said, I have got other questions I would like to ask, and in particular, as you know, I am very much concerned about our vulnerability to electronic penetration. I don't know that 535 Members of Congress who just got on the Internet this past year have the capacity to really make those kinds of evaluations. And you know, again, I mentioned this to you yesterday, in the Sunday New York Times, John Markoff reports on the Consumer Electronics Show in Las Vegas that they are going to have video games with the capacity to process 500 million instructions per second. A CRAY II does 160 million. You know, we have got change that is coming so fast that those of us who have to make policy decisions about what we ought to be doing have to admit right up front that we need to seek outside counsel. We need someone to frame the issue so that these decisions can get made.

I presume we are going to face this rather ridiculous situation of not being able to export supercomputers, but we are going to be exporting video games that have a processing capacity that is more than a supercomputer. As a single issue, in many ways this is not as important as the question about how vulnerable our data bases are to penetration, and the kinds of defensive procedures. I suspect, General Clapper, since you have been involved in developing this network within the military itself, I suspect that you are going to be turned to an awful lot to help guide the decisions that we have to make.

Chairman SPECTER. Thank you very much, Senator Kerrey.

I want to turn for a moment or two to the question of international terrorism, Director Woolsey, and your statement on page 17 about 61 of the 288 international terrorist incidents through Oc-

tober of last year were directed against U.S. targets. To what extent have we been able to improve the reliability of HUMINT, human intelligence, where those resources are so very hard to develop, to protect our citizens and really our broader national interest, vital national interests in the war against international terrorism?

Director WOOLSEY. It is a very high priority and something we have been working hard on before I came and certainly over the course of the last two years. I would ask if—when you have an opportunity for me to ask Mr. Wiley, the head of the counterterrorism center to come up and run through it with you, because there have been some improvements, Mr. Chairman, but I can't say more than that in open session.

Chairman SPECTER. All right. We'll pursue that in closed session.

But let me take up one other subordinate point on the same line as you refer at page 8 of your statement to the rivalry between PLO and Hamas, and the problems which we are seeing now in carrying out of the agreements between Israel and the PLO and the United States commitments or efforts at economic aid. Last year, Senator Shelby and I formed a caucus to monitor compliance by the PLO as a condition to having aid from the United States, to require that the PLO amend its charter to stop calling for the destruction of Israel, and to require that there be meticulous compliance by the PLO with their commitments. When you talk in your statement about Hamas, the appearance is that it is beyond the control of the Palestinian Liberation Organization, but I would be interested in your assessment now as to how well to PLO is complying with its commitments under those agreements to stop terrorism.

Director WOOLSEY. I would say that over the course of the last several years, and certainly since the Rose Garden signing, what I would call the core of the PLO has been working—let's put it this way—to be of assistance in stopping terrorism both inside Israel and in the Occupied Territories. The last sort of clear PLO terrorist operation that I am aware of was their unsuccessful raid on Tel Aviv in May of 1990. I think that was the Abu Abbas faction of the Palestine Liberation Front.

There have been efforts by not only Hamas, but splinter groups of the PLO that we believe are outside Arafat's control, and there have also been some restrictions placed on the activities of the Popular Front for the Liberation of Palestine and the Democratic Front for the Liberation of Palestine by Syria.

Since 1990, groups that call themselves affiliated with the PLO have conducted attacks inside Israel and the Occupied Territories. But there is no corroborated evidence that those that accept Arafat's leadership have done so. The PFLP, for example, has never really been controlled by Arafat, and it has been responsible for some such attacks. And the PFLP and the DFLP have both effectively dropped out of the PLO and they very much consider themselves free to continue attacks on Israel.

There have also, and this is my final point on this, been some killings of Palestinian collaborators by gangs of so-called Fatah Hawks, who operate rather independently of the main Fatah organization.

So Mr. Chairman, as you can see, the picture is somewhat complex and still troubling. But I would say that the bottom line is that since 1990, those groups that are clearly under Arafat's control do appear to us and our allies who watch this sort of thing in the region, as not being engaged in acts of terrorism.

Chairman SPECTER. Well, that is another subject which we'll have to pursue and perhaps best in closed executive session.

Director WOOLSEY. Yes.

Chairman SPECTER. Let me turn now to the matter of intelligence services with respect to economic issues, which you take up at page 29 of your statement.

Director WOOLSEY. Yes.

Chairman SPECTER. In a public hearing that this Committee held two years ago, officials of US companies stated that they did not want the United States government to provide them with economic intelligence, but they did want the government to tell them when it discovered that a foreign government or company was spying on them. And I am told that despite the efforts of the Overseas Security Advisory Committee of the United States State Department, that these company officials report that they have received very little case specific warnings from any US agency about that problem.

And in an era when we are moving ahead with the North Atlantic Free Trade Agreement and GATT and the issue of economic development and jobs is so important, there is a question in my mind as to whether there might not be a larger role for US intelligence gathering operations to help the development US economic interests. And you say in your prepared statement that you don't tell the companies about the problems, but you tell the State Department, you say, who then seek redress, often successfully.

And I have some doubts as to the degree of intensity that the companies would apply on their own if they had information about being the victims of espionage, contrasted with what happens when it goes to the State Department.

So my question, after that long prologue is, why shouldn't US intelligence efforts be directed more specifically to help US economic interest abroad and provide more jobs for Americans?

Director WOOLSEY. Let me distinguish between two things, Mr. Chairman, and it is an excellent question.

First of all, we conduct intelligence collection against efforts by foreign governments—sometimes operating through state affiliated companies—to bribe their way to contracts that American business operating under the Foreign Corrupt Practices Act, has to try to win honestly. And when I refer in my statement to our helping American business indirectly by providing information the Department of State and Department of Commerce and the White House, that's what I am referring to.

We are rather vigorous in our intelligence collection on the issue of foreign companies and their nation's operating through them being engaged in bribery or other corrupt practices in an effort to steal contracts essentially away from American business. When we learn about that, we go to either State or Commerce or both or the National Security Council, and what typically happens is that somewhere in the world, an American Ambassador, without notifying the American company involved, calls on a foreign president

and says something like, Mr. President, your telecommunications minister is on the take and he is about to award a contract to a corporation of such and such a country. Based on that, you have a lot going with the United States, we don't think you ought to do business that way.

That rather typically leads to either a renegotiation of the contract or a splitting of the contract, and we estimate rather conservatively that over the last—over—we looked at an 18 month period back at the beginning of the 90's, something on the order of several billion dollars in contracts were saved for American companies by our being able to undertake that sort of activity.

Chairman SPECTER. Is the American company notified as to what is going on?

Director WOOLSEY. No. Almost never.

Chairman SPECTER. Why not?

Director WOOLSEY. Well, because we seek not to play favorites with American companies or to work directly for American companies. And indeed, Mr. Chairman, I would say that some of the companies whose public statements have been that they don't need any help from American intelligence have been companies that I have sort of smiled when I read the newspaper stories because I know that they have been helped by exactly this type of activity that I am describing.

But we don't seek to guide the use of this information. We obtain it, provide it to State or Commerce, and they then deliver demarches, usually, to a foreign government to get that foreign government, in the Mid East, let's say, or Asia, to stop awarding contracts based on bribery.

Now, there is a whole separate issue which involves foreign countries and foreign corporations spying on American companies, opening their mail, tapping their telephones, recruiting agents to be inside the American company's office in, let's say, a European capital or wherever. With respect to that side of things, again our focus is on the foreign government and if we see a foreign government directly or indirectly trying to work against an American corporation and the American corporation is not taking adequate protective measures, we work together with the FBI and the Department of State through the committee—I spoke to the committee last year, and Mrs. Gati may be able to give you an update on some of their activities—and we try to help them understand the espionage threat against them, for example.

Chairman SPECTER. So you do tell the American company specifically what is going on in that case?

Director WOOLSEY. When they are being spied upon by a foreign government operating directly or indirectly through a foreign corporation. We do our best—normally we are not the point of contact, normally it will be State or the FBI—but we do our best to help them figure out how to defend themselves against that foreign government.

Let me see, Toby, do you have anything to add to that?

Ms. GATI. I have a couple of comments, Senator Specter.

The first is that we do not in our economic intelligence in any way duplicate what is available through open sources and, increasingly, information is available that way. We don't want to bring

coals to Newcastle, so to speak, and tell companies about their markets. This is the premise we start with in economic intelligence.

We work closely with the DCI in the Economic Intelligence Advisory Panel, and with all ambassadors in the way that Mr. Woolsey has noted. We also are very much committed to pursuing any case where the information holds up. There are many instances and we review every case that comes to the department to make sure that the information is accurate. In those cases where the information holds up and where we can report it to the country involved, we pursue this very actively.

Chairman SPECTER. Well, this is a subject which we really need to go into in some great detail, and I have a question, Director Woolsey, about whether we shouldn't be really playing favorites for American companies, and you added to that some American companies have expressed the view that they don't want any help. But I have an instinct that there are many American companies where they would like to have the help. And there obviously has to be some very careful line drawing here as to what is done. But I am told that a number of the foreign espionage agencies, intelligence agencies for foreign countries are much more direct in the assistance to their overseas economic interests.

I see you nodding in the affirmative.

Director WOOLSEY. Oh, yes.

Chairman SPECTER. So why shouldn't we—if the playing field is really going to be level and some foreign governments help their economic interests outside the country, why shouldn't the United States?

Director WOOLSEY. Well, Mr. Chairman, we do help American companies by the U.S. government seeking to get foreign government to stop or not award contracts, as I said, on the basis of bribery and the like. If we as the U.S. Intelligence Community got into the business of trying to work directly with American companies in those circumstances, there's a lot of complexities that can crop up. First of all, the definition of what is an American company in these days and times gets a little complicated. Secondly, you may often have more than one American company involved in bidding on a foreign contract. And we have found over the years that we can keep ourselves out of legal and other problems if we notify State and Commerce and they go to the foreign government that is being bribed and bring pressure to bear to stop contracts being awarded on the basis of bribery.

As I said, that is of help to American companies, to the tune of probably several billion dollars over an 18 month period in contracts awarded. It is not the only way to do it and other countries with somewhat different legal traditions and relationships between private and public sectors do it differently. It is a reasonable subject for discussion with the Committee and I am sure that the whole community would be delighted to go into it with the Committee.

Chairman SPECTER. Well, let us pursue that further at a later date. The hearing is running long and there's still a couple of other areas that I wanted to talk to you. But I think it is worth a fresh look to see if there is some legitimate area where intelligence oper-

ations could help the U.S. economy. That is a very, very bit item, obviously.

General Clapper, I was struck by a quotation in your statement that—citing Robert Kaplan in the *Coming Anarchy* to the effect, quote, “a large number of people on this planet to whom the comfort and stability of a middle class life is utterly unknown, find war and a barracks existence a step up rather than a step down,” posing an extraordinary insight and a threat to U.S. interests.

And the comments that are in the statements of both Director Woolsey about the 40 million people who are exposed to hunger and your comment, General Clapper, about “confronting a world of humanitarian distress involving millions of people,” and the question arising as to what is the role of U.S. intelligence, with some views that it is not really a part of the intelligence operation to try to figure out what’s happening there so that we can anticipate some of the problems.

I would be interested in your response, General Clapper, to what you think the U.S. intelligence ought to do on that subject.

General CLAPPER. Well, if I left you with the impression that we don’t have a role there, I would want to clarify that, because I think we do, we have. I think to the extent that we—and the particular interest to me, obviously, is when we elect—we the country, elect to use military force, put military forces in harm’s way, as we have in humanitarian operations, such as in—at least the way it began in Somalia, Rwanda, and places like that—I think it causes us to focus our intelligence capabilities in ways that we haven’t traditionally done. So the very mechanisms, the very capabilities, the expertise of our people, can and have been and should be applied to these new kinds of problems.

This whole specter of irregular warfare or operations other than war or whatever you want to call them I think, conjures up a whole new set of challenges for this country. To the extent that the country is going to discharge its role as the major power in the world of—the world’s 911, if you will—that I think that places an extraordinary challenge on our intelligence apparatus in what we would construe as historically unconventional ways.

Chairman SPECTER. Ms. Gati, do you have a comment?

Ms. GATI. Yes.

One of the themes I tried to emphasize in my testimony was the use of intelligence for diplomacy. I’d specifically like to note activities that are related to the international dimensions of intelligence sharing to the United Nations in support of peacekeeping. You and Director Woolsey also mentioned the palaces of Saddam Hussein. Through very close cooperation with the Intelligence Community, we provided Ambassador Albright up at U.S.-U.N. with pictures which she was able to show in a very effective presentation on the kind of leader that Saddam Hussein is and what he uses his money for. Intelligence was used in support of our effort to keep sanctions on Iraq and to keep the pressure on Saddam to get rid of the capabilities that you have spoken about so correctly in terms of the threat they pose to the region and to us.

Sanctions is another area where the Intelligence Community has provided enormous amounts of information to the U.N., for example, in support of the sanctions regime against Serbia. These are

areas where I think the Intelligence Community has played a very, very forthcoming role in support of diplomacy and U.S. foreign policy objectives.

Chairman SPECTER. Our hearing is now up to the three hour and twelve minute mark, and I am going to conclude it in just a few moments, and there are a great many other areas, as the Vice Chairman suggested, which we haven't covered, and we may consider another open hearing on the subject.

But I do want to take up a matter of what I consider very, very substantial importance, Director Woolsey, and that is a comment or two and perhaps a response or two on your very distinguished record and service in the public sector. As I look over your curriculum vitae, it is sprinkled with very extensive public activity before you became Director of Central Intelligence. You had been the Ambassador and US Representative of the Negotiations on Conventional Arms in the '89 to '91 time frame. You had served as Under Secretary of the Navy, from 1977 to 1979. You had served as General Counsel for the Senate Armed Services Committee. You had been on the staff of the National Security Council early in your career. And on each of these occasions you have left a law practice which I have some personal knowledge about as to how lucrative it is, and what the comparisons are as you work in the public sector here.

And the response to your kind of dedication, I think is problematic. Whatever the underlying disagreements may be with the Aldrich Ames case and the action you have taken—and I want to give you an opportunity to comment about that—I think that your situation with your record and your contribution and the response puts at risk men of high caliber like you and others in coming into public service, coming into public work. It takes a different kind of a person to want to be involved here. That goes for people on this side of the furniture arrangement as well as on your side. But I want you to know that there is a general view that notwithstanding some disagreements which some of us have or may have with your conclusions on the Aldrich Ames case, that there is a great deal of appreciation for what you have done. And beyond you personally, a great deal of concern that people would be willing to come into government and put their head above the trenchline where the fusillades and the shots are just overwhelming.

You have already made a public statement and perhaps you don't want to say anything more about your reasons for returning to private life, but if you do, this would be an occasion.

Director WOOLSEY. Well, Mr. Chairman, first of all, I thank you for your kind words and I thank you for the thoroughness and objectivity of your questioning in the hearing today. It has been a pleasure to appear before you and the Committee.

I have nothing to add to my public statements about my reasons for leaving, but I do thank you for that opportunity.

I will say a word about the Ames decisions that I made with respect to how to deal with the aftermath of the Ames case, if that would be acceptable.

Chairman SPECTER. It is. I—there been a lot of critical comment and in the Senate Intelligence Report, very strong criticism for lack

of harsher treatment for those who were at fault. So I think you are entitled to a chance to give your views.

Director WOOLSEY. Thank you, Mr. Chairman.

It won't surprise you that I prefer the House Committee's report on this subject to this Committee's report, which basically said it was not unanimous in supporting the decisions that I made.

Let me describe very briefly my thinking. First of all, I thought it was terribly important to get the management reforms and policy reforms right, and I exerted a lot of effort and we have talked about this today, so I won't go into that any more detail, and changing the nature of the personnel system, the culture of the CIA, the security systems, the counterintelligence systems, but always with an eye towards not tipping back into a world of paranoia and accusations.

Secondly, I awaited the production of the very detailed report by the CIA Inspector General, for a factual basis—it came out in September—for me to make decisions about punishment of individuals and discipline of individuals. The Inspector General mentioned some 18 career CIA employees and three former Directors of Central Intelligence as individuals which he believed could conceivably be faulted for the deficiencies and laxity that existed in the agency's counterespionage and security programs, and he set out a list of those 21 names. There are two other individuals that were on that list that neither the House Committee nor I, given the wording of the Inspector General's report, believed should be considered. So there were essentially a number—the number was 21.

I looked carefully over a period of several days with the assistance of several of my senior advisors at the Agency who were not involved with the Ames case and had no axe to grind on this, and I looked at the knowledge of each of those individuals and several others as well, and essentially what they knew and when they knew it. I asked supplemental questions to the Inspector General. I spent many, many hours going over the state of knowledge and responsibility of those 21 plus a few other individuals.

I determined that there were four individuals whose failure to take action or whose actions in either overseeing Ames as a manager or who were involved in the counterintelligence effort and for a time certainly unsuccessfully so, determined that there were four individuals whose failures in judgment were palpable and were either serious or sustained. And that they should be dismissed or forced to retire from the Agency. Three individuals were already retired. One was retiring within three days.

Now, it should not be too surprising, although I have had a difficult time getting, I think, much of the outside world to understand this, that when failures in judgment, substantial failures in judgment occur in the mid and late 1980's, that in 1994 when we made the decisions, it shouldn't be too surprising that several of the people whose failures in judgment were made in the mid to late 1980's were retired.

The only action that it would have been legal for me to take for those retired employees was to bar them for life for contracting with the CIA as retirees. That I did. I also indicated to them in my letters to the four of them, by saying that their conduct was of a character that it could not be tolerated or could not be con-

done, that they were in a situation that they would have been fired or required to resign had they still been at the Agency. And I said this in my statement to all CIA employees and I said it publicly.

There were in my judgment seven other individuals whose failures to take action had some relationship to the course of the Ames case, but the failure to take action was of a sufficiently modest variety, given their state of knowledge, given what they knew or even what they should have known, that I felt nothing more than a reprimand—which itself is in a number of circumstances a severe thing at the Agency—was justified. So to those seven other employees, three of whom were also already retired, I wrote letters of reprimand.

I understood fully that it would have been politically and publicly a lot more attractive if I had somehow been able to fire the four employees who were on the list and were still at the CIA, to whom I gave the relatively routine reprimands. The only reason in the world I did not do that is because I did not think it was just and I didn't think it was fair. I looked at their state of knowledge, at what they knew, when they knew it, what they should have known, what actions they took and didn't take, I did it in great detail, and I determined, as I said, that four people should have been fired or required to resign. They were already gone. So I gave letters of reprimand alone to the others.

Let me state this slightly in a different way, because it may give some feel for what has been a public characterization of a major discrepancy between the Inspector General's recommendations and mine. The House Committee heard me and the Inspector General, Mr. Hitz, together, for an extended session. And I frankly think that the rather different character of the House Committee's report derived from that fact. This Committee in the 103rd Congress heard Mr. Hitz and then separately heard me and I think the nature of the hearing was such that it was not as easy for the Committee to compare why each of us had done what we did.

There is some double counting in the numbers I am about to give you, because some of the 21 people who were on Mr. Hitz's list showed up in two categories. But he listed eight people who because of their personnel actions in managing Ames, essentially, he felt should be faulted. Six of those eight I disciplined. Three were individuals whom I said I would have fired, but were already retired. The other two, in my judgment, they did not have sufficient knowledge or information at the time that I felt it was fair to discipline them.

Mr. Hitz listed fourteen individuals whom he felt had not exerted their best efforts in having enough resources dedicated to the mole hunt or otherwise tracking down Ames. Three of those were former Directors of Central Intelligence, and there were eleven others. I did not agree that the three former Directors of Central Intelligence should be reprimanded or otherwise disciplined, insofar as it was within my power, and I would stress that the House Committee report on this point goes into in some details the reasons why it believed the senior levels of the Agency back in the late 80's and the beginning of the 90's had not been adequately informed of the need to devote these resources. I didn't think it was a fair judg-

ment on my part to sanction three of my predecessors, and so I did not.

Of the eleven others that were on Mr. Hitz's list, seven I gave reprimands to, and one I said I would have fired. The other four I did not discipline, two because they were quite junior and I disciplined their boss, two because they came into the effort late, after the beginning of 1991, and it was in early 1991 that the mole hunt, I believe, picked up, and was began to be dealt with properly.

Finally, Mr. Hitz listed three former Directors of Security of the Agency as individuals who should be considered for discipline because the security program at the Agency, he felt, was inadequate, as evidenced by Ames' polygraph. I disciplined the individual who was responsible for coordinating the polygraph, but I did not believe there was an adequate nexus between the failure to capture Ames and the management of the overall security program at the Agency, as distinct from the counterintelligence program, to warrant discipline of those three heads of security. So I did not.

That, in sum, is why I did what I did.

I would say only in conclusion, Mr. Chairman, I thank you for giving me the opportunity to explain, but I believe in these jobs those of us who come in from the outside world, as you said, and serve these tours as Presidential appointees, particularly as a head of a department or agency, we have a whole range of responsibilities. One of them is to ensure that the function of the agency is protected, that it is accomplished, that its security is protected. But another is that in a sense we hold in trust the careers and to some extent the lives of the people who work for us. There are a large number of very able career people who work in the United States government and who put their trust in those of us who come into these Presidential appointment jobs to deal with them fairly. I tried to do that. I had no incentive to do otherwise, except to make those disciplinary calls as I saw them. That is what I did. I continue to be of the conviction that I made the right calls and I leave this job believing that the disciplinary steps I took were correct.

Chairman SPECTER. Thank you, Director Woolsey, and thank you for extending your tour as Director for an extra day to come here, and I thank those in the Administration for making your testimony possible, because I thought it was important that we hear from the person who had been the Director for the past year, to give this assessment. And we have talked considerably about the Aldrich Ames case and there will be more on it and I think it is important to thank the thousands of career men and women in the CIA who are doing so much for the welfare of the country.

I thank you, Director Woolsey, for coming, I thank you, Ms. Gati, and I thank you, General Clapper.

The hearing is adjourned.

Director WOOLSEY. Thank you, Mr. Chairman.

[Thereupon, at 1:00 o'clock p.m., the hearing was adjourned.]

[Supplemental materials, letters, articles, etc., follow:]

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## United States Senate

SELECT COMMITTEE ON INTELLIGENCE  
 WASHINGTON, DC 20510-6478

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 ROBERT DOLE KANSAS, EX OFFICIO

NORMAN K. BRADLEY STAFF DIRECTOR  
 JUDITH A. ANSLEY MINORITY STAFF DIRECTOR  
 KATHLEEN P. MCGHEE, CHIEF CLERK

December 8, 1994

The Honorable R. James Woolsey  
 Director of Central Intelligence  
 Central Intelligence Agency  
 Washington, D.C. 20505

Dear Director Woolsey:

The Senate Select Committee on Intelligence will conduct an open hearing on the current and projected national security threats to the United States. The hearing date is tentatively scheduled for Thursday, January 5, 1995 at 2:00 p.m. in Room SH-216. On behalf of the Committee and the incoming Committee leadership, we are writing to request that you testify at this hearing. We have also invited Lt. General James R. Clapper, Jr., USAF, Director of the Defense Intelligence Agency (DIA).

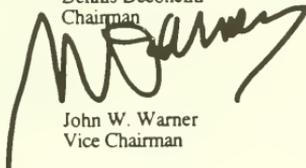
The Committee requests that you provide a comprehensive, unclassified assessment of the nature and extent of the current and projected national security threats to the United States and its interests. We request that you prioritize the threats and differentiate between those that directly threaten U.S. national security, the safety and economic prosperity of individual Americans, and threats to other American interests. In addition, we would like you to highlight significant developments in these areas that have occurred since you testified before our Committee on January 25, 1994.

We request that you provide a copy of your written testimony to the Committee no later than January 2, 1995. If you or your staff have any questions concerning the hearing, please contact Don Mitchell at (202)224-1700. The Committee looks forward to receiving your testimony.

Sincerely,



Dennis Deoncini  
 Chairman



John W. Warner  
 Vice Chairman

cc: Lt. General James R. Clapper, Jr., USAF

DENNIS DECONCINI ARIZONA CHAIRMAN  
 JOHN W. WARNER VIRGINIA VICE CHAIRMAN  
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 KATHLEEN P. MCGHEE, CHIEF CLERK

## United States Senate

SELECT COMMITTEE ON INTELLIGENCE  
 WASHINGTON, DC 20510-6475

December 8, 1994

Lt. General James R. Clapper  
 Director  
 Defense Intelligence Agency  
 Washington, D.C. 20340

Dear General Clapper:

The Senate Select Committee on Intelligence will conduct an open hearing on the current and projected national security threats to the United States. The hearing date is tentatively scheduled for Thursday, January 5, 1995 at 2:00 p.m. in Room SH-216. On behalf of the Committee and the incoming Committee leadership, we are writing to request that you testify at this hearing. We have also invited Mr. R. James Woolsey, Director of Central Intelligence.

The Committee requests that you provide a comprehensive, unclassified assessment of the nature and extent of the current and projected national security threats to the United States and its interests. We request that you prioritize the threats and differentiate between those that directly threaten U.S. national security, the safety and economic prosperity of individual Americans, and threats to other American interests. In addition, we would like you to highlight significant developments in these areas that have occurred since you testified before our Committee on January 25, 1994.

We request that you provide a copy of your written testimony to the Committee no later than January 2, 1995. If you or your staff have any questions concerning the hearing, please contact Don Mitchell at (202)224-1700. The Committee looks forward to receiving your testimony.

Sincerely,



Dennis DeConcini  
 Chairman



John W. Warner  
 Vice Chairman

cc: The Honorable R. James Woolsey

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## United States Senate

SELECT COMMITTEE ON INTELLIGENCE  
 WASHINGTON DC 20510-8475

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 KATHLEEN P. MCGHEE CHIEF CLERK

December 22, 1994

SSCI# 94-4445

The Honorable Toby T. Gati  
 Assistant Secretary of State  
 for Intelligence and Research  
 Department of State  
 Washington, D.C. 20520

Dear Ms. Gati:

The Senate Select Committee on Intelligence will conduct an open hearing on the current and projected national security threats to the United States. The hearing date is scheduled for Tuesday, January 10, 1995 at 9:30 a.m. in Room SH-216. On behalf of the Committee and the incoming Committee leadership, we are writing to request that you submit written testimony to the Committee and be available to answer questions at this hearing. A similar request has been made of Lt. General James R. Clapper, Jr., USAF, Director of the Defense Intelligence Agency (DIA). Director of Central Intelligence R. James Woolsey has been invited to testify at this hearing and briefly summarize his written statement.

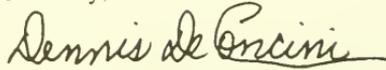
The Committee requests that you provide a comprehensive, unclassified assessment of the nature and extent of the current and projected national security threats to the United States and its interests with particular emphasis on those threats emanating from regional and national political instability. We request that you prioritize the threats and differentiate between those that directly threaten U.S. national security, the safety and economic prosperity of individual Americans, and threats to other American interests.

It is requested that you provide a copy of your written testimony to the Committee no later than January 4, 1995 -- four working days prior to the hearing. If you or your staff have any questions concerning the hearing,

The Honorable Toby Gati  
December 22, 1994  
Page Two

please contact Don Mitchell at (202)224-1700. The Committee looks forward to receiving your testimony.

Sincerely,

A handwritten signature in cursive script that reads "Dennis Deconcini". The signature is written in dark ink and is positioned above the printed name.

Dennis Deconcini  
Chairman

cc: The Honorable R. James Woolsey  
Lt. General James R. Clapper, Jr., USAF

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## United States Senate

SELECT COMMITTEE ON INTELLIGENCE  
 WASHINGTON, DC 20510-8475

January 24, 1995

Admiral William O. Studeman  
 Acting Director of Central Intelligence  
 Central Intelligence Agency  
 Washington, D.C. 20505

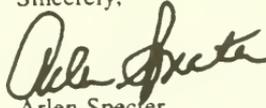
Dear Admiral Studeman:

We appreciate former Director Woolsey's testimony at our January 10 hearing on the current and projected national security threats to the United States. His willingness to address this important issue in open session was appreciated and made an important contribution, not only to the work of our Committee, but to the American public's awareness of U.S. national security interests.

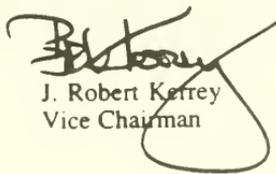
As Acting Director, we are submitting the attached questions for the record to you. The unclassified responses to these questions will be an important part of our hearing transcript which we hope to release as expeditiously as possible. Accordingly, we would appreciate it if you would respond in writing to these questions no later than February 20, 1995.

If you have any questions, please do not hesitate to contact Don Mitchell of our Committee at 202-224-1700. We appreciate your cooperation in this matter.

Sincerely,



Arlen Specter  
 Chairman



J. Robert Kerrey  
 Vice Chairman

Enclosure as stated

### Chechnya and the Future of Russia's Government

1) In Director Woolsey's prepared testimony [p. 23], he states that "Russia's financial stabilization plans are endangered, the political modus vivendi that had existed between the government and the legislature prior to the Chechnya crisis has been shattered." Please elaborate on how the Chechnya crisis has impacted Russia's military and political situation. What are the prospects that President Yeltsin will be ousted in a coup in the next year or that Russia will turn toward dictatorship?

### Economic Reform in Russia

2) In Director Woolsey's prepared testimony [p. 22], he states that "[d]espite intense pressures from the Russian legislature to slow the pace of -- or even roll back -- some elements of economic reform, the government, led by Premier Chernomyrdin, has continued its transition to a market-driven economy. Privatization remains the linchpin of these efforts, and we estimate that roughly one half of GDP is now produced by the private sector, up from last year's figure of 40 percent." What are the prospects that Russia's economic reform could be rolled back? Do you consider Russia's transition to a market-driven economy to be irreversible?

### Prospects for Reform in Ukraine

3) In Director Woolsey's testimony [p. 27], he states that "[u]nder the leadership of President Kuchma, who was elected to that office in July, Ukraine has begun to implement a comprehensive economic reform program that includes liberalizing prices, slashing the deficit, overhauling taxation, freeing the exchange rate, and privatizing enterprises." What are the prospects of success of these reforms? What are the prospects that differences with Russia over Crimea and the division of the Black Sea fleet could result in military conflict with Russia?

### Organized Crime in Russia

4) There were press stories a few months ago suggesting that both the CIA and the FBI were each trying to get the lead on grappling with the issue of organized crime in Russia. Is there a clear division of labor on this issue?

### North Korea's Nuclear Weapon Program

5) In Director Woolsey's prepared statement [p. 12], he states that "...the IAEA has reported that the North has indeed 'frozen' the operation and construction of its key nuclear facilities..." Does the U.S. Intelligence Community share this view? What is the Intelligence Community's assessment of the number and yield of nuclear weapons that North Korea may currently possess?

### Monitoring the U.S.-North Korean Framework Agreement

6) How high is your confidence that the U.S. Intelligence Community can adequately monitor North Korea's compliance with the U.S.-North Korean Framework Agreement? How significant are U.S. intelligence collection shortfalls targeted against North Korea?

### North Korea's Ballistic Missiles

7) In Director Woolsey's prepared testimony [p. 13], he states that "North Korea has also shown keen interest in exporting its missiles, and, as I have mentioned, North Korea and Iran have carried on extensive negotiations on ballistic missile cooperation. We are also concerned about North Korea's new, longer-range developmental ballistic missiles -- the Taepo Dong I and II -- that could range several thousand kilometers." Can you verify that Iran has, in fact, taken delivery of Scud missile related equipment from North Korea? When is the earliest that North Korea could deploy the Taepo Dong I and II?

### China's Compliance with its Commitments

8) In Director Woolsey's prepared testimony [p. 29], he states that "China has voiced its continued commitment to the NPT, the MTCR, and the yet-to-be ratified CWC, and is also working to slow exports of sensitive materials and technologies. That said, we will continue to monitor China's links with Iran and Pakistan as both of these countries continue their efforts to produce ballistic missiles and weapons of mass destruction." Could you elaborate on the nature and extent of China's assistance to Iran and Pakistan? Do you believe that this assistance could raise compliance concerns with China's commitment to the NPT and the MTCR? How likely is it that China will adhere to the Chemical Weapons Convention (CWC)?

### Iran's Nuclear Weapon Capability

9) On January 5, *The New York Times* carried an article citing senior American and Israeli officials as stating that Iran is less than 5 years away from having an atomic bomb. Is this report accurate? What is the current status of Iran's nuclear weapon program? What kind of assistance is Russia providing to Iran's nuclear weapon program?

### The PLO and the Peace Accord

10) Who would be the likely successor to Yasser Arafat if he were removed from power and how would this impact the success of the peace process? What is your assessment of the likely success of the peace process?

### The Iraqi Military's Readiness

11) Last Fall, Saddam sent two elite Republican Guard armored divisions toward the Kuwaiti border. What do you think was the likelihood that Saddam would have invaded Kuwait again? What is the likelihood that Saddam might try something similar in the future? Is the Iraqi military's readiness at a high enough level to pose a significant threat?

### Iraq's Weapons of Mass Destruction

12) In his prepared testimony [p. 9], Director Woolsey states that "...a recent report from the U.N. Special Commission indicates that Iraq is still withholding critical information, especially on its chemical and biological weapons programs. Such findings support our own evidence that Iraq is still hiding Scud missiles, chemical munitions, elements of its nuclear weapons development program, and its program to develop biological weapons." How significant is Iraq's weapons of mass destruction infrastructure? How long would it take Iraq to develop an arsenal of weapons of mass destruction sufficient to pose a serious threat to Iraq's neighbors?

### Saddam's Hold on Power

13) What are the prospects for the survival of Saddam's regime for another year? What would be the characteristics and policies of likely

successors to Saddam? Given the current fighting between Kurdish factions in northern Iraq at present, what are the prospects for Kurdish reintegration into Iraq after Saddam?

### **Qadhafi's Hold on Power in Libya**

14) In October of 1993, Muammar Qadhafi successfully thwarted a major coup attempt against him. What is your current assessment of Qadhafi's hold on power in Libya and the prospects that he will still be in power one year from now?

### **President Aristide's Hold on Power**

15) In Director Woolsey's prepared testimony [p. 16], he states that "[t]he problem of unrealistic expectations, coupled with a large pool of disgruntled, potentially armed ex-soldiers point to vulnerabilities that will bear close monitoring in the year ahead."

a) What is the Intelligence Community's view of the likelihood that President Aristide will be able to institute meaningful social, political, and economic reforms in Haiti?

b) What is the likelihood that President Aristide will be ousted in a coup in the next year?

c) What is the Agency's estimate of the number of arms still under control of those who oppose the Aristide government?

d) What are the prospects for unrest when American troops are replaced by U.N. forces?

e) How successful will President Aristide be in forming a new police force and reducing the army's size?

f) What is the current status of former FRAPH leaders such Emmanuel Constant?

### Adequacy of Intelligence Support to the Haiti Operation

16) In his prepared statement [p. 15], Director Woolsey cites the fact that the U.S. commanding officer of the Haiti operation and the commanding officer of the 10th mountain brigade "...have both praised highly the quality of the intelligence support they have received." However, had the Haitian military made a determined effort to forcibly resist the U.S. invasion of the island, are you confident that U.S. intelligence could have provided adequate support to the military?

### Prospects for Additional Cuban Refugees

17) How likely is another refugee outflow from Cuba? What would be the likely catalyst?

### Prospects for Political Reform in Cuba

18) In discussing the internal situation in Cuba [p. 17], Director Woolsey states in his prepared testimony that "[p]olitical reform is not in the cards." Does the Intelligence Community believe that U.S. termination of its long-standing economic blockade of Cuba could bring about significant enough changes to Cuba's society to accelerate political reform in Cuba?

### Analyzing Corrupt Foreign Business Practices

19) In his prepared statement [p. 29], Director Woolsey states that the Intelligence Community is "not in the business of passing secrets to U.S. firms. But it does mean that we bring these corrupt foreign practices to the attention of the White House and the State and Commerce departments who then seek redress -- often successfully." Can you give us some examples of what corrupt foreign business practices you have detected and how policymakers have sought redress?

### The Parameters of Economic Intelligence

20) Director Woolsey has stated in strong terms that while the United States will continue to cover some economic issues, it does not and will not engage in "economic espionage."

- a) Where is the dividing line between permissible economic intelligence and impermissible economic espionage?
- b) Are there issues on which the Intelligence Community simply will not collect information, because it would not be appropriate? Or does the difference lie only in the fact that you will not spy on foreign companies for the purpose of providing information to American companies?

### **Ensuring a Level Playing Field**

21) One area in which Director Woolsey has said the United States will continue to collect intelligence is on the improper trade practices of other countries -- to help ensure a "level playing field" for American companies.

- a) How well are you able to do that? Is this aspect of economic intelligence one that is likely to increase in the future?
- b) Are other countries using unfair practices more than before? Or is the United States making progress in convincing other countries that this distortion of free markets is unwise?

### **Economic Intelligence Priorities**

22) The United States has collected intelligence on world economic trends since the 1940s. In recent years, however, press stories and former Director Woolsey's public statements have indicated that policy makers are more concerned about economic issues than ever before. What sorts of economic issues does the Intelligence Community have to be prepared to cover?

### **The Utility of Economic Intelligence**

23) In your estimation, how useful has U.S. economic intelligence been during the last several years? How have policy makers reacted to what you provide?

### Foreign Countries Spying on the U.S.

24) A related area of concern is what other countries do to spy on U.S. companies. The press has reported on some cases of French spying over the years, and Russia's intelligence chief has said that economic intelligence is one of his main priorities.

a) Are more and more countries getting into the business of using their intelligence services to engage in economic espionage? Or is a small group of "the usual suspects" responsible for all of it?

b) What does the Japanese government do? Do they engage in economic espionage? Do they orchestrate industrial espionage by Japanese companies?

### The U.S. Corporate View of Economic Intelligence

25) In a public hearing that this Committee held two years ago, officials of U.S. companies stated that they did not want the United States Government to provide them with economic intelligence information. They did want the Government to tell them, however, when it discovered that a foreign government or company was spying on them. And despite the good efforts of the Overseas Security Advisory Committee of the U.S. State Department, these company officials reported that they received very little case-specific warnings from the FBI or other U.S. agencies. What has been done, since then, to improve this situation? What does the CIA do if it learns that a U.S. company is being targeted by a foreign government or company?

### The Risks of Collecting Economic Intelligence

26) How do you balance the benefits that come from collecting intelligence on economic issues against the risk that such collection -- or even the mere allegation of it -- could prompt other countries to retaliate by increasing their defensive measures, by spying in turn on U.S. companies, or by becoming anti-American in policy discussions? Has it been your job to weigh those equities, or does the National Security Council do that? How regularly are these concerns weighed?

### **Withdrawal of UNPROFOR from Bosnia**

27) In Director Woolsey's prepared statement dealing with the potential withdrawal of UNPROFOR forces from Bosnia [p. 14], he states that "[a]ny withdrawal is likely to encounter opposition by at least one of the combatant parties, and could necessitate U.S. military intervention to help extricate allied forces." How significant a U.S. military force would be required to help extricate allied forces from Bosnia? What would be the significance of U.N. force withdrawals on the situation in Bosnia?

### **Public Disclosure of the Intelligence Budget**

28) As you know, many in Congress have advocated public disclosure of the aggregate intelligence budget. Late last year, the House Appropriations Committee apparently went further than this and disclosed the size of the FY 1995 budget request for the CIA, the Defense Department's portion of the National Foreign Intelligence Program (NFIP), and for tactical intelligence programs. In your opinion, did this disclosure of intelligence funding harm U.S. national security? If so, how?

### **The Intelligence Community's Vulnerability to Espionage**

29) The Ames espionage case caused a lot of people to wonder if we are any longer capable of carrying out intelligence activities in a secure, effective way. If one traitor can do this much damage, and if, as a practical matter, there is no foolproof way to detect a spy in our midst, some may wonder whether it is worth even trying, particularly when the Cold War is over. How do you respond to this?

### **International Terrorist Activity in the U.S.**

30) In Director Woolsey's prepared testimony [p. 18], he cites that there "is a growing pattern of cooperation among terrorist and extremist groups." Are you seeing a growing pattern of cooperation among terrorist and extremist groups here in the U.S.? What trends do you see in the involvement of Hizballah, Hamas, and other groups in terrorist incidents in the U.S.?

### Possibility of Continued Terrorism by the PLO

31) Is there any evidence suggesting that the PLO is still involved in terrorist activities?

### Ballistic Missile Threat to the U.S.

32) In General Clapper's prepared remarks [p. 10], he states that "[b]y the turn of the century, we could see numerous countries with the capability to mate a WMD [Weapon of Mass Destruction] warhead (whether it be chemical, biological, or nuclear) with an indigenously produced missile of 500-1,000 km or greater range. At the same time, however, **we see no interest in or capability of any new country reaching the continental United States with a long range missile for at least the next decade.**" Does the CIA and the rest of the Intelligence Community share this view?

### Targeting Denied Areas

33) The Intelligence Community, to a certain extent, was created to obtain information on so-called "denied areas" -- countries that were for practical purposes denied to U.S. visitors during the Cold War. Either there were no diplomatic relations, or else our diplomats were so constrained they could not effectively gather information. Obviously, the Cold War is over and we have much greater on-the-ground access to places and information than we had before. But are there still "denied areas" where U.S. citizens or diplomats cannot freely travel and we still depend primarily upon intelligence agencies to gather information? Can you give us a few examples? How many of these remain significant in terms of U.S. national security interests?

### Requirements for Intelligence Collection and Analysis

34) There has been concern expressed over the years that the Intelligence Community tried to cover too many issues, that there were too many people collecting information that wasn't particularly useful, and too many people writing analyses that no one ever read. What is your reaction to this criticism? Are we wasting a lot of money collecting and analyzing things that nobody needs? Where is the place, in your mind, that we draw the line between doing too much and too little?

### The End of the Cold War and the Continued Need for Intelligence

35) We also acknowledge the threat to the U.S. has changed since the end of the Cold War. Former Director Woolsey has stated that while we have "slain the dragon," there are still a lot of "serpents" out there that we have to worry about. But would you say that overall there is less of a threat in terms of a military threat to our survival? If not, what is the nature of this threat and where do you see it? If the military threat to our survival has indeed diminished, does this mean we can do with a smaller intelligence capability? If not, why not?

### The Need to Prioritize Intelligence Targets

36) Former DCI Robert Gates has stated publicly that he does not believe that the Intelligence Community should be collecting and analyzing such issues as environment, world food supplies, health issues, etc., since these are considered more or less peripheral national security issues and detract from more compelling intelligence targets. Do you share this view? What priority should be given to such targets?

### Military Analysis

37) Former DCI Robert Gates has stated that the CIA should be smaller and that all military analysis, with the exception of Weapons of Mass Destruction, should be assigned exclusively to the Defense Intelligence Agency. What capability does the CIA currently have to analyze conventional military weapons and order of battle? What is the capability of the DIA to do this? What would be the impact if DIA alone analyzed the conventional military threat?

### Intelligence Sharing

38) Certainly when it comes to technical capability, we hear it said that U.S. intelligence capabilities are second to none, and that the U.S. spends far more on intelligence gathering and analysis than any other country in the world. Is this accurate? We also hear that we share a great deal of this intelligence on a bilateral basis with other countries. Overall, are you satisfied with these arrangements in terms of what we get in return? If we cut back our capabilities, would other countries be forced to do more? Should we be

getting our friends and allies to shoulder more of the responsibility in this area?

### **Monitoring a Comprehensive Nuclear Test Ban**

39) In Secretary Gati's prepared statement [p. 5], she states that "[d]iplomacy will be heavily engaged during the next few months as the U.S. presses for an unlimited extension of the Nonproliferation Treaty (NPT) at the NPT Review Conference this spring..." For many nations, conclusion of a comprehensive nuclear test ban treaty is a necessary precondition for extension of the NPT. Does the Intelligence Community currently have sufficient resources to adequately monitor a comprehensive nuclear test ban?

### **Advanced Conventional Weapons**

40) In Director Woolsey's prepared testimony [p. 21], he states that "[a]part from the capability of some advanced conventional weapons to deliver weapons of mass destruction, such weapons have the potential to significantly alter military balances, and disrupt U.S. military operations and cause significant U.S. casualties." Could you provide more examples of the sorts of advanced conventional weapons that could be used to influence specific military balances?

### **"Information Warfare"**

41) In Director Woolsey's prepared testimony [p. 21], he states that "[w]e are engaged in assessing foreign intentions and capabilities to conduct what we call 'information warfare' -- that is, penetrating our telecommunications and information systems in order to corrupt or destroy data critical to our national and economic security." How significant a threat does the U.S. face from "information warfare"? Can you provide specific examples of how foreign governments have successfully penetrated U.S. telecommunications and information systems?

### **Readiness of Intelligence Community Systems and Organizations**

42) How has the readiness [responsiveness and utility] of the Intelligence Community's systems and organizations been improved to meet

the needs of the changed military threat? What roles and missions have changed? What intelligence functions, programs, organizations and/or operations have been consolidated to improve the efficiency and effectiveness of defense intelligence in the last year?

ARLEN SPECTER, PENNSYLVANIA, CHAIRMAN  
 J. ROBERT KERREY, NEBRASKA, VICE CHAIRMAN

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## United States Senate

SELECT COMMITTEE ON INTELLIGENCE  
 WASHINGTON, DC 20510-6475

January 24, 1995

Lt. General James R. Clapper, Jr.  
 Director  
 Defense Intelligence Agency  
 Washington, D.C. 20340

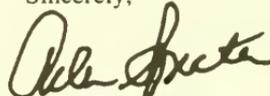
Dear General Clapper:

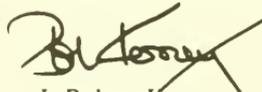
We would like to thank you for testifying at our January 10 hearing on the current and projected national security threats to the United States. Your willingness to address this important issue in open session was appreciated and made an important contribution, not only to the work of our Committee, but to the American public's awareness of U.S. national security interests.

We are submitting the attached questions for the record. The unclassified responses to these questions will be an important part of our hearing transcript which we hope to release as expeditiously as possible. Accordingly, we would appreciate it if you would respond in writing to these questions no later than February 20, 1995.

If you have any questions, please do not hesitate to contact Don Mitchell of our Committee at 202-224-1700. Again, we thank you for your participation in the hearing and appreciate your cooperation in this matter.

Sincerely,

  
 Arlen Specter  
 Chairman

  
 J. Robert Kerrey  
 Vice Chairman

Enclosure as stated

### Russian Military Capabilities

1) In your written testimony [p. 5], you assert that “[b]y virtually every objective standard used to measure military capabilities -- manning, readiness, training, morale, logistics, and material maintenance -- the Russian military continues to suffer major problems. As a result, the military is currently only capable of conducting limited conventional operations in and around the periphery of Russia. And as we have seen in Chechnya, even that operation has experienced problems.” If present trends continue, what will be the Russian military’s capability to conduct operations 5 years from now? Do these trends indicate the possibility that Russia may soon have insufficient military force to retain order within Russia?

### Russian Compliance Issues

2) In your written testimony [p. 5], you state that Russia has “...active biological and chemical warfare programs. Politically, moreover, we believe that START II ratification in the Duma is problematic, and the Russians are continuing to express intense opposition to the flank limitations of the Treaty on Conventional Armed Forces in Europe.” How robust are Russia’s biological and chemical warfare programs? What is the likelihood that Russia would ultimately comply with the arms control agreements such as START II and the Chemical Weapons Convention?

### Transfer of Technology from the Former Soviet Union

3) What general trends has the Intelligence Community noticed of scientists, technology, and conventional and unconventional military sales to other nations? What trends have you detected that Soviet nuclear materials, BW, CW, or ballistic missile-related materials or technology, have found their way to the international black market? What are the implications of these trends for U.S. national security?

### North Korea’s Military Capabilities

4) In your prepared testimony [p. 2], you stated the following regarding North Korea’s military forces: “Concentrated in the southern part of the

country and able to transition to war in a matter of days, the North's military continues to significantly outnumber the combined ROK and U.S. forces. To be sure, this military has shortcomings and vulnerabilities, **but the nuclear framework accord has done nothing to diminish the North's current capabilities to conduct a war against the south.** Moreover, **the North's military preparations continue apace, with additional long range artillery and missile systems being moved closer to the DMZ.** In the future, the key questions will be whether the North follows through on the nuclear agreement, and whether, finally, they begin to reallocate very scarce resources away from the military." General Clapper, you have considerable personal experience following the situation in Korea.

- a) What is your sense of the likelihood that North Korea will invade the south in the next year? Under what circumstances would a war be likely?
- b) With the general relaxation in tensions on the Korean peninsula in the wake of the nuclear agreement, how do you account for North Korea's apparent military preparations?
- c) What is the likelihood that North Korea will comply with the nuclear agreement and reallocate resources away from the military?
- d) How strong is Kim Jong-il's hold on power? What is the likelihood that he will still be in power one year from now?

### Tensions Between India and Pakistan

5) In your prepared testimony [p. 7] when you discuss tension between India and Pakistan, you state that "[w]e believe that both Islamabad and Delhi are preoccupied with internal problems and recognize that war is not in the interest of either. However, as always, this remains a potential flash point because of the danger of miscalculation and prospect for rapid escalation of a crisis." In your opinion, what issues must be resolved between India and Pakistan to minimize the threat of armed conflict? What is the likelihood that these bilateral issues will ever be resolved?

### The Iraqi Military's Readiness

6) Last Fall, Saddam sent two elite Republican Guard armored divisions toward the Kuwaiti border. What do you think was the likelihood that Saddam would have invaded Kuwait again? What is the likelihood that Saddam might try something similar in the future? Is the Iraqi military's readiness at a high enough level to pose a significant threat?

### Cuba's Military Capability

7) Please describe the Cuban military's current capability. Is Cuba in any way a militarily strategic threat to the United States?

### Tensions Between Greece and Turkey

8) In your written testimony [p. 4], you state that you are "concerned about continuing tensions between Greece and Turkey, as reflected by last fall's crisis in the Aegean over territorial sea limits and each country's simultaneous military exercises. The Alliance is weakened by this persistent acrimony and we worry about a clash neither side wants growing out of an inadvertent incident during such exercises." In your opinion, are the tensions between Greece and Turkey such that a military confrontation is likely? Which side would you anticipate having the upper hand in the event of an armed conflict?

### The Impact of AIDS

9) In your prepared testimony [p. 9], you state that "...AIDS is having a tremendous impact on the militaries of many third world militaries -- whether that of a country in which we might be conducting a Peacekeeping Operation, or one that is participating with us in a multilateral operation. Moreover, in countries where the HIV rate exceeds 50% in the military, the long term impact on both the military as an institution and the fabric of society could be devastating." Please specify which countries' militaries are being most significantly impacted by AIDS (i.e., with a HIV rate in excess of 50%). Please elaborate on how AIDS is impacting the military institutionally in these countries. What other infectious diseases are having a significant impact on foreign militaries and societies?

### Military Analysis

10) Former DCI Robert Gates has stated that the CIA should be smaller and that all military analysis, with the exception of Weapons of Mass Destruction, should be assigned exclusively to the Defense Intelligence Agency. What capability does the CIA currently have to analyze conventional military weapons and order of battle? What is the capability of the DIA to do this? What would be the impact if DIA alone analyzed the conventional military threat?

### Readiness of Intelligence Community Systems and Organizations

11) How has the readiness [responsiveness and utility] of the Intelligence Community's systems and organizations been improved to meet the needs of the changed military threat? What roles and missions have changed? What intelligence functions, programs, organizations and/or operations have been consolidated to improve the efficiency and effectiveness of defense intelligence in the last year?

### Changes in Analytical Priorities

12) What specific defense intelligence analytical priorities have been changed in the last few years to deal with the changing threat? What analysis is not being done? For example, what analytical effort are you devoting to foreign Camouflage, Concealment, and Deception [CC&D]? Has this priority changed in the last decade?

### The Electronic Threat

13) This is the information age. Absent from your statement is any reference to the foreign electronic threat or the use of the "information weapon" our enemies have to destroy our military communications pathways and computer databases. Is there an increased electronic threat to our military forces? What capabilities are you devoting to the electronic threat?

### Unclassified Arms Transfer Information

14) The Committee has a continuing interest in having available reliable data on conventional arms transfers to the developing world and globally. We have found reports such as the annual Congressional Research Service (CRS) report on Conventional Arms Transfers to the Third World to be valuable as a timely, detailed, authoritative unclassified source on such arms transfers. We appreciate the assistance DIA has provided in the past in developing data for such reports, and ask that this support continue unabated in the future. In addition to this annual CRS report, the Committee may choose to explore additional arms transfer subjects that may require assistance from DIA in development of data for official Congressional reports. May we look forward to such cooperation and support?

### Trends in Conventional Arms Transfer Activities

15) What are the most recent major trends you have identified in conventional arms transfer activities with respect to sales to the Middle East from foreign suppliers, to China by Russia, and by all suppliers to Iran? What specific major conventional weapons systems have been transferred from Russia to Iran and to China? To Iran from North Korea, to Iran from other key arms suppliers?

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## United States Senate

SELECT COMMITTEE ON INTELLIGENCE  
 WASHINGTON, DC 20510-6475

January 24, 1995

The Honorable Toby T. Gati  
 Assistant Secretary of State  
 for Intelligence and Research  
 Department of State  
 Washington, D.C. 20520

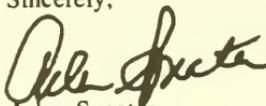
Dear Ms. Gati:

We would like to thank you for testifying at our January 10 hearing on the current and projected national security threats to the United States. Your willingness to address this important issue in open session was appreciated and made an important contribution not only to the work of our Committee, but to the American public's awareness of U.S. national security interests.

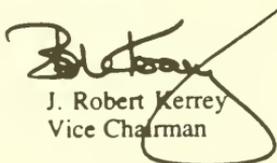
We are submitting the attached questions for the record. The unclassified responses to these questions will be an important part of our hearing transcript which we hope to release as expeditiously as possible. Accordingly, we would appreciate it if you would respond in writing to these questions no later than February 20, 1995.

If you have any questions, please do not hesitate to contact Don Mitchell of our Committee at 202-224-1700. Again, we thank you for your participation in the hearing and appreciate your cooperation in this matter.

Sincerely,



Arlen Specter  
 Chairman



J. Robert Kerrey  
 Vice Chairman

Enclosure as stated

### Prospects for Afghanistan's Stability

1) In your testimony [p. 12], you state that "Afghanistan's political instability has spilled over into neighboring states, producing regional tensions that provide a fertile ground for Islamic extremism and narcotics trafficking." What are the prospects that the regime in Kabul will be able to bring stability to Afghanistan in the short term?

### Iran's Nuclear Weapon Capability

2) On January 5, *The New York Times* carried an article citing senior American and Israeli officials as stating that Iran is less than 5 years away from having an atomic bomb. Is this report accurate? What is the current status of Iran's nuclear weapon program? What kind of assistance is Russia providing to Iran's nuclear weapon program?

### Saddam's Hold on Power

3) What are the prospects for the survival of Saddam's regime for another year? What would be the characteristics and policies of likely successors to Saddam? Given the current fighting between Kurdish factions in northern Iraq at present, what are the prospects for Kurdish reintegration into Iraq after Saddam?

### Qadhafi's Hold on Power in Libya

4) In October of 1993, Muammar Qadhafi successfully thwarted a major coup attempt against him. What is your current assessment of Qadhafi's hold on power in Libya and the prospects that he will still be in power one year from now?

### The Risks of Collecting Economic Intelligence

5) How do you balance the benefits that come from collecting intelligence on economic issues against the risk that such collection -- or even the mere allegation of it -- could prompt other countries to retaliate by increasing their defensive measures, by spying in turn on U.S. companies, or by becoming anti-American in policy discussions? Has it been your job to weigh those equities, or does the National Security Council do that? How regularly are these concerns weighed?

### Possibility of Continued Terrorism by the PLO

6) Is there any evidence suggesting that the PLO is still involved in terrorist activities?

Central Intelligence Agency



Washington D C 20505

3 April 1995

The Honorable Arlen Specter  
Chairman  
Select Committee on Intelligence  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are responses 1-42 of the Questions for the Record sent to us on January 24, 1995, in connection with the January 10, 1995, hearing on the current and projected national security threats to the United States. The responses have been coordinated throughout the Intelligence Community.

We are sending an original copy of the letter and responses to Vice Chairman Kerrey. If we can be of further assistance on this matter, please do not hesitate to contact me.

Very respectfully,

A handwritten signature in cursive script that reads "Bill Studeman".

William O. Studeman  
Admiral, U. S. Navy  
Acting Director of Central Intelligence

Enclosure

The Honorable Arlen Specter

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OCA 95-1229/1 (fn:wdata\senate\wwthret1.doc)

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Chechnya and the Future of Russia's Government

1) In Director Woolsey's prepared testimony, he states [p. 23] that "Russia's financial stabilization plans are endangered, the political modus vivendi that had existed between the government and the legislature prior to the Chechnya crisis has been shattered." Please elaborate on how the Chechnya crisis has impacted Russia's military and political situation. What are the prospects that President Yel'tsin will be ousted in a coup in the next year or that Russia will turn toward dictatorship?

The crisis in Chechnya has seriously weakened political stability in Russia. In pursuing his policy in Chechnya, President Yel'tsin has broken from many of his traditional supporters who have helped him push political and economic reforms in the past. The operation has exacerbated tensions within the military and has given a significant amount of ammunition to Yel'tsin's political opponents. We are concerned that in the future, the deep divisions across the political spectrum could induce some elements of the military or security services to support political leaders opposed to Yel'tsin. It is impossible to predict at this time precisely whether any group in Russia intends to attempt to oust the President in a coup, however, and we have no evidence that a coup is imminent. We are also concerned that in turning away from his reformist allies, President Yel'tsin appears to have surrounded himself with individuals who seem more inclined to adopt statist or authoritarian policies. A return to a Soviet-like dictatorship is probably not in the cards, but it does appear that the Russian government may move away from at least some of the political reforms we have seen over the last few years, and that the government's actions may undermine progress on economic reform.

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Economic Reform in Russia

2) In Director Woolsey's prepared testimony (p.22), he states that "[d]espite intense pressures from the Russian legislature to slow the pace of--or even roll back--some elements of economic reform, the government, led by Premier Chernomyrdin, has continued its transition to a market-driven economy. Privatization remains the linchpin of these efforts, and we estimate that roughly one-half of GDP is now produced by the private sector, up from last year's figure of 40 percent." What are the prospects that Russia's economic reform could be rolled back? Do you consider Russia's transition to a market-driven economy to be irreversible?

The probability is very low that Russia would turn its back on current economic reform efforts and try to revive the discredited command economy in its entirety. Very few politicians, regardless of their political affiliation, espouse such a platform, although many hardliners would like to see some elements of the Soviet system retained or restored. Much progress has been made on the reform front over the past three years, and many people now have vested interests in marketization.

- For example, over 109,000 small businesses and large industries have been privatized to some extent, and over 40 percent of the work force has its primary job in the private sector.
- Over 40 million of Russia's 148 million citizens are stockholders, according to the State Property Committee.
- One-half of housing is privately owned.

But the continued transition to a market economy will not be a seamless, straight-line projection. Legislative hardliners will continue to try to block many of the governments reform initiatives. Progress will proceed in fits and starts, with the government slowing the pace or getting off track if it deems it politically expedient.

- Land reform, for example, remains a politically volatile issue and is unlikely to be tackled seriously before the end of the current legislative term in December 1995.

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Prospects for Reform in Ukraine

3) In Director Woolsey's testimony [p. 27], he states that "[u]nder the leadership of President Kuchma, who was elected to that office in July, Ukraine has begun to implement a comprehensive economic reform program that includes liberalizing prices, slashing the deficit, overhauling taxation, freeing the exchange rate, and privatizing enterprises." What are the prospects of success of these reforms? What are the prospects that differences with Russia over Crimea and the division of the Black Sea Fleet could result in military conflict with Russia?

The results of Ukraine's initial reform measures have been encouraging. After weathering the initial shock of price and currency liberalization, the inflation rate and the currency have begun to show signs of stabilization over the last month. Consumer prices, which jumped more than 130 percent in the six weeks after reforms began in late October, grew only 2 percent in the last half of November and actually declined by 10 percent in the first two weeks in December. The depreciation of the karbovanets against the dollar also has slowed, and upbeat officials have told reporters that the black currency market has all but disappeared.

The next major test for the reform program will be privatization. The Rada has yet to lift its moratorium on privatization that it imposed last July, but progress is continuing in laying the groundwork for privatization to take off in 1995. The list of 6,000 to 7,000 enterprises that will remain under state control has not been approved in final form as Parliament continues to try and add more enterprises to the list. Beginning 1 February all Ukrainian citizens will be able to receive their privatization certificates enabling them to buy shares in enterprises being privatized. The first batch of certificates is now being distributed to five oblasts. Meanwhile, the regions remain active with Ukraine's first ever round of land auctions in Odesa, Lviv, Chernihiv, and Kharkiv. More land auctions are to take place in January.

Kuchma's performance on economic reform so far has exceeded all expectations. But he must still deal with some formidable tasks in the coming months in order to stay the course: continuing with radical economic reform while maintaining social stability in hard times; successfully managing the constitutional struggle with the Rada; and, dealing with Ukraine's huge and growing foreign debt and increasingly difficult negotiations with its major creditors, Russia and Turkmenistan. But barring an unusually severe winter and given adequate Western financial support, Kuchma's demonstrated leadership and determination on economic policy bode well for his chances to win the power struggle with the Rada and continue reform.

We judge that there is no immediate threat of military conflict between Russia and Ukraine over Crimea and the division of the Black Sea Fleet. Moscow and Kiev are cooperating to a limited extent to minimize tensions in the region and negotiations over the disposition of the Black Sea Fleet and its shore based facilities are ongoing, although the prospects for a near-term agreement appear remote.

Over the longer term, however, conflict between Russia and Ukraine over Crimea and the Black Sea Fleet will remain an open possibility if a Black Sea Fleet agreement is not reached. In particular, any unilateral action taken by troops loyal to either Moscow or Kiev to seize or lay definitive claim to elements of the Fleet could spark a political crisis requiring high-level intervention, as occurred last spring. Moreover, any attempt by Moscow to encourage Crimean separatism could sow the seeds for a breakdown in Russian-Ukrainian relations, setting the stage for possible military conflict.

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Organized Crime in Russia

4) There were press stores a few months ago suggesting that both the CIA and the FBI were each trying to get the lead on grappling with the issue of organized crime in Russia. Is there a clear division of labor on this issue?

The CIA and FBI enjoy frequent dialogue on the issue of Russian organized crime and work cooperatively together. The CIA's interest in this subject to provide policymakers with the best assessment of the threats posed by organized criminal groups to Russian political and economic stability and their involvement in activities like drug trafficking. CIA's collection efforts are focused on these areas. Consistent with applicable legal restrictions, CIA's analytical efforts are also aimed at providing law enforcement agencies with assessments and information on the organizational structure and activities of Russian crime networks. The FBI, of course, is primarily concerned about criminal activity directly affecting the United States and is strengthening relationships with Russian internal security services to this end.

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North Korea's Nuclear Weapon Program

5) In Director Woolsey's prepared statement [p. 12] he states that "...the IAEA has reported that the North has indeed frozen the operation and construction of its key nuclear facilities..." Does the US Intelligence Community share this view? What is the Intelligence Community's assessment of the number and yield of nuclear weapons that North Korea may currently possess?

The IAEAs reporting is consistent with other information indicating that North Korea has, in fact, frozen the operation and construction of the key nuclear facilities covered by the accord. P'yongyang has stopped construction of two nuclear reactors and is not operating either the 5 MWe reactor or the reprocessing plant. The spent fuel removed from the reactor last May-June remains in a spent fuel storage pond and is under IAEA monitoring.

As you know, the Intelligence Community has concluded that North Korea may have already produced enough plutonium for at least one nuclear weapon, though we cannot be sure of this. The IAEA's request to inspect suspect waste sites at North Korea's nuclear facility is intended to help determine whether North Korea extracted more plutonium than the small amount they declared in 1992 when they first permitted IAEA access to their nuclear facilities.

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Monitoring the US-North Korean Framework Agreement

6) How high is your confidence that the US Intelligence Community can adequately monitor North Korea's compliance with the US-North Korean Framework Agreement? How significant are US intelligence collection shortfalls targeted against North Korea?

The Agreed Framework freezes North Korea's plutonium production capability. The agreement stops the use of the 5 MWe reactor, ceases construction of two larger reactors, freezes activity at the reprocessing (plutonium recovery) plant, and calls for the eventual dismantlement of these facilities. Implementation of the agreement--which includes provision for extensive cooperation with the IAEA for monitoring purposes--together with US National Technical Means, will provide an excellent capability to monitor the North's plutonium production facilities.

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North Korea's Ballistic Missiles

7) In Director Woolsey's prepared testimony [p.13] he states that "North Korea has also shown keen interest in exporting its missiles, and as I have mentioned, North Korea and Iran have carried on extensive negotiations on ballistic missile cooperation. We are also concerned about North Korea's new, longer-range developmental ballistic missiles -- Taepo Dong I and II -- that could range several thousand kilometers." Can you verify that Iran has, in fact, taken delivery of Scud missile related equipment from North Korea? When is the earliest that North Korea could deploy the Taepo Dong I and II?

We have good reason to believe that North Korea has recently transferred at least four Scud Transporter-Erector-Launchers to Iran. We are also concerned with the growing cooperation between Iran and North Korea on a broad range of ballistic missile related issues.

While it is difficult to predict the exact state of the Taepo Dong missile development programs, our understanding of North Korea's earlier Scud development leads us to believe that it is unlikely P'yongyang could deploy Taepo Dong I or Taepo Dong II missiles before three to five years. However, if P'yongyang has foreshortened its development program, we could see these missiles earlier.

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China's Compliance With its Commitments

8) In Director Woolsey's prepared testimony [p.29], he states that "China has voiced its continued commitment to the NPT, the MTCR, and the yet-to-be- ratified CWC, and is also working to slow exports of sensitive materials and technologies. That said, we will continue to monitor China's links with Iran and Pakistan as both of these countries continue their efforts to produce ballistic missiles and weapons of mass destruction." Could you elaborate on the nature and extent of China's assistance to Iran and Pakistan? Do you believe that this assistance could raise compliance concerns with China's commitment to the NPT and the MTCR? How likely is it that China will adhere to the Chemical Weapons Convention (CWC)?

Elaborating on the extent of China's assistance to Iran and Pakistan is impossible with out resort to intelligence sources and methods, which are almost entirely responsible for what we know about these relationships. We would of course be delighted to brief you in detail in closed session.

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Iran's Nuclear Weapon Capability

9) On January 5, *The New York Times* carried an article citing senior American and Israeli officials as stating that Iran is less than 5 years away from having an atomic bomb. Is this report accurate? What is the current status of Iran's nuclear weapons program? What kind of assistance is Russia providing to Iran's nuclear weapons program?

Development of weapons of mass destruction continues to be a high priority of Iran, and Tehran is devoting significant resources to its efforts. Estimates of how long it would take Iran to develop nuclear weapons are highly uncertain, and depend on a number of factors and assumptions--such as the extent to which Iran is able to obtain significant materials or assistance from abroad.

Because of the sensitivity and importance of this topic, I would prefer not to go into any further detail in open session. I can have a more detailed briefing on this subject arranged for you, although you may want to wait until a coordinated community position is available.

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March 1995

**Palestinian Succession**

10) Who would be the likely successor to Yasir Arafat if he were removed from power and how would this impact on the peace process? What is your assessment of the likely success of the peace process?

There is currently no single successor to Arafat, and none is likely to emerge in the next six months. Authority would likely be taken over by a loose coalition of Palestinian leaders from the West Bank/Gaza Strip area and the Tunis-based PLO.

- o Senior PLO members most likely would oversee the PLO and supervise the Palestinian Authority and its relations with Israel and the international community. This group would include Mahmud Abbas, known as Abu Mazin, who signed the Gaza-Jericho accord in September 1993; Faruq Qaddumi, who is the PLO's "foreign minister"; Nabil Shath, Arafat's pointman in bilateral talks with Israel; Ahmad Qurei, known as Abu Ala, who is a key economic technocrat; Faysal al-Husayni, a West Bank Fatah leader; and at least one representative from the Palestinian security services. They would have to work closely with local grass roots leaders.
- o Local leaders who have emerged since the intifada, mostly drawn from Arafat's Fatah faction, would compose a second level of leadership. They would work closely with pragmatic Islamic leaders, some of whom are members of HAMAS and with whom they developed ties during the intifada. Their aim would be to minimize terrorist attacks on Israelis from PA-controlled areas. At the same time, Islamic extremists would seek to halt the peace process by increasing attacks.
- o The Palestinian security services would likely be loyal to the new Palestinian leadership as long as it was authoritative and willing to put down HAMAS's challenges to PA authority.

All of these Palestinian leaders accept peace with Israel and are committed to the peace process's success.

- o Following Arafat's departure, we believe that progress on the Palestinian-Israeli track would be slowed because of likely increases of HAMAS violence and until the Palestinian leadership establishes its credibility as a negotiating partner.

Any additional questions on the likely success of the peace process are more appropriately addressed to the State Department.

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IRAQ: Military Readiness

11. Last Fall, Saddam sent two elite Republican Guard armored divisions toward the Kuwaiti border. What do you think was the likelihood that Saddam would have invaded Kuwait again? What is the likelihood that Saddam might try something similar in the future? Is the Iraqi military's readiness at a high enough level to pose a significant threat?

We judge that Saddam was prepared to order the Republican Guard units that were deployed near Kuwait last October to attack Kuwait, but we believe he was deterred from doing so by the United States' rapid military response.

- o Iraq's build-up occurred against a backdrop of threatening rhetoric against Kuwait.
- o Our analysis was based in part on Saddam's past behavior under similar conditions and current public threats. These indicated that Saddam ordered the build-up to provoke a crisis over Kuwait that he could parlay into the lifting or easing of sanctions. Our analysis indicates that Saddam hoped to provoke a crisis over Kuwait that he could try to parlay into a negotiated lifting or easing of UN sanctions.

Saddam's penchant for unpredictable, high-risk behavior makes it difficult to predict the specific steps he might take in the future. Nevertheless, the risk is high that Saddam, at the time and place of his choosing, will again try to challenge the United States or other members of the coalition if he believes his diplomatic attempts to lift UN sanctions are being ignored.

- o Saddam has a range of options from which to choose. They include challenging the enforcement of the exclusion zone in southern Iraq of the two no-fly zones in the north and south, reducing or ending Iraq's cooperations with UN weapons inspectors, conducting large-scale ground attacks against the Kurds, or renewing his threat to Kuwait.

Despite its defeat by the US-led coalition during operation DESERT STORM, Iraq's military still is one of the largest and most capable in the region.

- o Iraq has some 400,000 men in uniform as well as thousands of tanks, artillery pieces, and other advanced weapons.
- o Without timely intervention by the United States, Iraqi forces could quickly seize and occupy Kuwait just as they did in August 1990.

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Iraq's Weapons of Mass Destruction

12) In his prepared testimony [p.9], Director Woolsey states that "...a recent report from the U.N. Special Commission indicates that Iraq is still withholding critical information, especially on its chemical and biological weapons programs. Such findings support our own evidence that Iraq is still hiding Scud missiles, chemical munitions, elements of its nuclear weapons development program, and its program to develop biological weapons." How significant is Iraq's weapons of mass destruction infrastructure? How long would it take Iraq to develop an arsenal of weapons of mass destruction sufficient to pose a serious threat to Iraq's neighbors?

The rebuilding of Iraq's weapons of mass destruction programs will depend in large part on whether or not UN sanctions are lifted and the level and effectiveness of UN monitoring.

Iraq currently has all of the infrastructure it requires to produce chemical and biological weapons. The combination of the potential hidden Scuds, chemical munitions (including possibly chemical warheads), and capability to produce BW agents practically overnight, results in Iraq remaining a current WMD threat to its neighbors. Because Iraq retains the expertise for the production of chemical and biological weapons and has the infrastructure to support this production, it could augment this possible arsenal within several months. It is unlikely, however, that Iraq would resume production of such weapons while UNSCOM maintains a presence in Iraq.

Iraq's nuclear weapons program has been set back significantly as a result of DESERT STORM and UN sanctions and inspections. Nevertheless, Iraq still has enough scientists, technicians, equipment, and material to restart a major nuclear weapons program should UN monitoring efforts cease--though it would probably take about five to seven years to develop the infrastructure necessary to provide fissile material for nuclear weapons.

Iraq's missile production effort was severely disrupted by the war and subsequent UN inspections. Despite the destruction of the majority of Iraq's missile production facilities, Iraq managed to save critical missile production machinery and has rebuilt its production facilities that could be used for future Scud-type missile production. There are still discrepancies in Iraq's accounting for its remaining ballistic missiles and we believe that Baghdad retains some prohibited Scuds.

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Saddam's Hold on Power

13. Given the current fighting between Kurdish factions in northern Iraq, what are the prospects for Kurdish reintegration into Iraq after Saddam?

Serious infighting since mid-1994 has severely damaged the unity of the Iraqi Kurds, undermined their fledgling regional administration, and decreased their chances of maintaining a united political and military front in dealing with Baghdad. The prospects for Kurdish reintegration into Iraq after Saddam, however, hinge more on the strength of the successor regime than on the strength of the Kurds.

- o If Saddam's successor heads strong central government and united Iraqi military, the Kurds--no matter how united--could not withstand a concerted effort to reimpose government control over northern Iraq and force Kurdish reintegration.
- o Despite its degraded and demoralized state, Iraq's regular Army still outnumbered and is better equipped, trained, and organized than the Kurds.
- o Even if a successor regime were weak and divided, fissures in the Iraqi Kurdish opposition make it likely that some Kurdish leaders would side with Baghdad to strengthen their hand against their Kurdish rivals. (U)

Regional political and economic realities also make it improbable that an Iraqi Kurdish state could be created or survive independent of Baghdad. Such an entity would be landlocked, have few economic resources, and be vulnerable to outside interference.

- o Iran and Turkey, fearing the effect an Iraqi Kurdish state would have on their own factious Kurdish minorities, would intervene militarily and economically to either dominate or otherwise prevent its creation.
- o The Iraqi National Congress formally supports enhanced Kurdish autonomy within a unified, federated Iraq, but both the INC and its Western sponsors oppose Iraqi Kurdish separatism. (U)

If and when Baghdad attempts to reimpose its control in the north, the Kurds will remain culturally distinct and politically and economically alienated from the rest of Iraq. Popular sentiment for greater autonomy and self-determination will remain a source of friction with the government. (U)

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Saddam's Hold on Power

13a. What are the prospects for the survival of Saddam's regime for another year?

Prospects for Saddam's regime over the next year will depend largely on whether UN sanctions are maintained in their current form. For at least the next six to eight months, Saddam appears to have adequate economic and security resources to maintain his hold on power. His position will become more precarious, however, if sanctions continue unabated--with no set timetable--and sanctions busting does not increase significantly.

- o The decline in living standards, which accelerated during 1994, will continue. Government-subsidized rations, which were halved during 1994, will likely be cut again. Rising inflation will put many basic goods further beyond the reach of most Iraqis. Crime, which the government is admittedly struggling to control, will increase.
- o Saddam's economic mismanagement and use of draconian measures to maintain public and military discipline, will exacerbate Iraq's socioeconomic decline. (U)

Saddam's survivability depends most on the loyalty of key security forces--the Republican Guard, Special Republican Guard, and the Special Security Organization. As long Saddam is able to shield them from the brunt of Iraq's economic hardships, he is likely to retain his hold on power.

- o Saddam's threatening move in October 1994 against Kuwait exacerbated growing morale and supply problems in the Republican Guard, but we have detected no organized opposition in the ranks. The SRG appears especially loyal and probably could be defeated only if Republican Guard units joined in a coup or remained neutral against a regular Army coup.
- o Saddam will continue to use whatever incentives are available--cash, gifts, preferential access to well-stocked government stores and hospitals--to buy the loyalty of these forces.
- o At the same time, Palace-based intelligence operatives pervade all levels of the armed forces, discouraging would-be coup plotters. We have seen no significant decline in Saddam's capability to monitor the loyalty of key security forces or to quash organized opposition. After Saddam crushed several serious threats during 1992-93, rumors of coup plots declined during 1994. (U)

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13b. What would be the characteristics and policies of likely successors to Saddam?

Whatever the means of succession, Saddam probably would be followed by another member of Iraq's Arab Sunni minority, which holds all key positions in the military, security services, and government. Saddam's most likely successors come from the same broad political culture and share many of his views on domestic and foreign policy issues. These include: a strong belief in Iraq's historic greatness and commitment to achieving Iraqi dominance in the region, distrust of the West, fear of Iranian domination, and determination to retain sway over Iraq's majority Shias and Kurds.

- o The top priorities of any successor regime would be to induce the UN to lift sanctions, to restore Iraq's economy and oil industry to pre-Gulf war levels, rebuild trade with nations that can supply priority needs, and rebuild the country's military might--including weapons of mass destruction.
- o Given the need to quickly build domestic and foreign support, Saddam's successor might be more inclined--at least initially--to make foreign policy concessions, use less brutal domestic security tactics, and promise political reforms.
- o Nevertheless, Years of repression and economic decline and the fractious nature of Iraqi society will make it difficult for Saddam's successor to rule uncontested. Before long, the new regime would likely resort to traditional methods of rule by fear and intimidation to guarantee Sunni dominance of the government and military. Few successors would hesitate to use harsh tactics to quell popular unrest or eliminate rivals. (U)

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13c. Given the current fighting between Kurdish factions in northern Iraq, what are the prospects for Kurdish reintegration into Iraq after Saddam?

Serious infighting since mid-1994 has severely damaged the unity of the Iraqi Kurds, undermined their fledgling regional administration, and decreased their chances of maintaining a united political and military front against Saddam or his successor. The prospects for Kurdish reintegration into Iraq after Saddam, however, hinge more on the strength of the successor regime than on the strength of the Kurds.

- o If Saddam's successor heads strong central government and united Iraqi military, the Kurds--no matter how united--could not withstand a concerted effort to reimpose government control over northern Iraq and force Kurdish reintegration.
- o Despite its degraded and demoralized state, Iraq's regular Army still outnumbers and is better equipped, trained, and organized than the Kurds.
- o Even if a successor regime were weak and divided, fissures in the Iraqi Kurdish opposition make it likely that some Kurdish leaders would side with Baghdad to strengthen their hand against their Kurdish rivals. (U)

Regional political and economic realities also reduce the odds that an Iraqi Kurdish state could survive independent of Baghdad. Such a state would be landlocked, have few economic resources, and be vulnerable to outside interference.

- o Iran and Turkey, fearing the effect an Iraqi Kurdish state would have on their own factious Kurdish minorities, would intervene militarily and economically to either dominate or otherwise prevent its creation.
- o The Iraqi National Congress formally supports the idea of a Kurdish state within a unified, federated Iraq, but both the INC and its Western sponsors oppose Iraqi Kurdish separatism. Loss of foreign aid and political support would be strong motivation for the Kurds to remain in a united Iraq. (U)

If and when Baghdad retakes the north, the Kurds will remain culturally distinct and politically and economically alienated from the rest of Iraq. Popular sentiment for greater autonomy and self-determination will remain a source of friction with the government. (U)

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Qadhafi's hold on power in Libya

14. In October of 1993, Qadhafi preemptively and successfully thwarted a coup plot against him. What is your current assessment of Qadhafi's hold on power in Libya and the prospects that he will still be in power one year from now?

Qadhafi has consolidated his grip on power during the past year by purging the military of potential opposition elements, further weakening the Army, and shuffling his inner circle.

- Qadhafi will likely remain in power for the next year because of weak opposition from internal and external opponents and because of the strength and loyalty of his elite security services.
- The Libyan leader continues to use the country's oil wealth--Libya had an estimated \$7 billion in revenues from oil and gas exports in 1994--to bestow favors, win allegiance from key tribes and, despite deteriorating economic conditions, provide an adequate standard of living for most of the country's small population of about five million.

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President Aristide's Hold on Power

15) In Director Woolsey's prepared testimony [p. 16], he states that "[t]he problem of unrealistic expectations, coupled with a large pool of disgruntled, potentially armed ex-soldiers, point to vulnerabilities that will bear close monitoring in the year ahead."

a) What is the Intelligence Community's view of the likelihood that President Aristide will be able to institute meaningful social, political, and economic reforms in Haiti?

Aristide's calls for restraint and national reconciliation have been major factors in preventing widespread violence and retribution by his supporters and, to the extent possible in such a short period, in creating an environment conducive to social, political, and economic reform. The challenges he faces, however, are clearly formidable. (U)

Aristide has installed a moderate government, led by businessman Smarck Michel, that is balanced between technocrats and the President's loyalists.

-- The President has reached out to Haiti's conservative business elite, many of whom opposed him in the past. He has urged the business community to invest, create jobs, and assist him in healing the country's many social ills. The business community has responded positively, if cautiously. (U)

Aristide also has taken steps, albeit slowly, to establish a provisional electoral council to organize local and parliamentary elections. The process is beset by confusion and delays, but progress thus far is encouraging. We expect elections to be held by summer. (U)

Prospects for peaceful change have improved as humanitarian aid and military civic action projects have bettered the lives of many Haitians.

- Relief agencies are once again feeding more than 1.5 million Haitians daily.
- Fuel is readily available and affordable, and partial electric power has been restored to Haiti's largest cities and some towns.
- Aid programs have spurred mango production, Haiti's largest agricultural export, to record levels. Technical assistance programs aimed at making government ministries

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run efficiently are getting under way. It remains to be seen, however, whether the average Haitian's expectations of economic improvement can be met. (U)

Nevertheless, the government faces significant obstacles. Violence remains a key element of Haitian political culture, as evidenced by the need for MNF troops to put down unruly crowds and shootouts. Crime is also growing at a disturbing pace.

- Some legislators have played a positive role since Aristide's return, but Haiti's democratic institutions remain generally weak. (U)

In the economic sphere, the de facto regime left behind a large budget deficit and a bureaucracy that had virtually ceased to function, forcing delays in the Aristide administration's plans for needed economic reforms, such as privatizing inefficient public enterprises and boosting domestic production.

- Private investors--both foreign and domestic--remain hesitant; they are wary about perceived security problems and are awaiting a clear understanding of the government's economic policies. (U)

**b) What is the likelihood that President Aristide will be ousted in a coup in the next year?**

Many members of the Haitian Armed Forces (FAD'H) are clearly unhappy over Aristide's plans to reduce and reform the military.

- The perception--prevalent throughout the officer corps and enlisted ranks--that Aristide and his advisers plan to abolish the armed forces could threaten the Army's surprising responsiveness to civilian control thus far.
- Aristide will have to dispel concerns among some officers that, like his predecessors, he is succumbing to the temptation to put loyalty to himself above the broader need for military professionalization.
- The US military presence virtually precludes an Army revolt, but disgruntled officers and enlisted men are capable of posing a significant security threat. (U)

The Multinational Force has driven most of Aristide's other opponents--notably the "attaches" and the Front for the Advancement and Progress of Haiti (FRAPH)--into hiding or exile.

- They will not re-emerge as a threat as long as a credible international force remains in Haiti until Aristide has

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deployed a new, professional Army and/or police force to provide security. (U)

c) What is the Agency's estimate of the number of arms still under control of those who oppose the Aristide government?

Estimates of the weapons in Haiti vary widely due to the lack of reliable data. The US military at one point estimated 40,000-50,000 arms were in circulation.

- The MNF reports that 15,000 arms have been confiscated, including all of the FAd'H's "heavy weapons." The US military also believes that it has found all large caches of weapons in the country.
- Nevertheless, we believe that, at a minimum, thousands of small arms, including pistols, submachine guns, and assault rifles, remain in private hands.
- Even if most firearms have been confiscated, Aristide's opponents undoubtedly have access to machetes and other primitive, though effective, weapons. (U)

d) What are the prospects for unrest when American troops are replaced by UN forces?

Aristide remains immensely popular, but grumbling from both the left and the right about his policies is slowly growing.

- The President's moderation is disappointing some of his supporters, who wanted revenge against the military and who had high expectations of immediate and dramatic social and economic improvements.
- Aristide's approach to military reform and some of his economic proposals--including enhanced tax collection--are causing concern among the military and its allies in the business elite. (U)

A strong, visible US military presence has both kept the lid on popular unrest and been a reassuring sign of continued US engagement. Most Haitians remain grateful for the US intervention because it liberated them from an authoritarian regime and brought tangible improvements to their lives. (U)

There is some question whether a UN force in which US forces will number less than 50 percent would be able to prevent or contain unrest as effectively.

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-- Aristide's enemies pose little threat to the government as long as a credible international military force is present, but their ability to cause trouble probably will rise in the future. (U)

e) How successful will President Aristide be in forming a new police force and reducing the Army's size?

Aristide has not persuaded the FAd'H that his military reforms are not a form of revenge for his ouster in September 1991.

-- Some of his recent public statements have been antimilitary in tone, and his recent order that the Army be reduced immediately to a 1,500-man force--from its previous strength of about 7,000--has reignited anxiety and resentment toward him.

-- Because Aristide has not projected a comprehensive vision for the military and new police force, rumors have dominated the process and worsened FAd'H morale. (U)

The President's reliance on several close advisers--including former Police Chief General Pierre Cherubin and former Prime Minister Rene Preval--apparently has further fueled FAd'H anxieties. Neither man has a strong following in the Army, and officers suspect both are pursuing personal agendas. (U)

Aristide's and his advisers' actions thus far indicate that they want to weaken the Army, eliminating its ability to function as an independent political power, and mold the new police into the country's preeminent security force.

-- Some of their actions would suggest that they want the reformed FAd'H and the police to be loyal to themselves, thereby reducing the possibility of a coup. (U)

f) What is the current status of former FRAPH leaders such as Emmanuel Constant?

Following the US intervention, Constant publicly called for cooperation with Aristide's restored government and then dropped out of sight. Many Aristide supporters have called for the arrest of Constant and others associated with FRAPH. (U)

Constant and the other FRAPH leaders are keeping a low profile or have left the country. We believe some are in the Dominican Republic. Much as rightists have done in the past, they probably are awaiting an opportunity to return to Haiti and try to regain political prominence. (U)

Some elements of FRAPH apparently remain active in remote parts of Haiti, where US forces rarely have a presence. They devote

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most of their energy to criminal endeavors and are not involved in antigovernment activities. (U)

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Adequacy of Intelligence Support to the Haiti Operation

16) In his prepared statement [P. 15], Director Woolsey cites the fact that the U.S. commanding officer of the Haiti operation and the commanding officer of the 10th mountain brigade "...both have praised highly the quality of the intelligence support they have received." However, had the Haitian military made a determined effort to forcibly resist the US invasion of the island, are you confident that US intelligence could have provided adequate support to the military?

I am indeed confident that our intelligence support to the military would have been, at a minimum, "adequate" and more likely excellent.

- The Haiti operation was characterized by unprecedented coordination, liaison, deconfliction, and intelligence support to US military planners and operators.
- We incorporated military officers from the J-3 (Operations) of the Joint Chiefs of Staff and the J-3 of the primary operational command, USACOM, directly into our Operations Directorate's Haiti Task Force.
- We also had intelligence elements deployed on both Task Force command vessels. This allowed us to maintain real time coordination with the military throughout the entire operation. (U)

In addition to the months of intelligence support to military planners to develop in advance a base line and clear pattern of Haitian military operations and order of battle, we were prepared to provide tactical intelligence support from the air up to H-hour minus 45 minutes, the timing and targeting of which was fully coordinated with the operational commanders.

- Through HUMINT assests, we had excellent advance intelligence on how key units in the Haitian military intended to respond to a forcible intervention.
- Due to the sensitivity of some of these sources, I cannot go in to detail in an open session on exactly what we knew, but I can assure you that our intelligence officers were in direct communication with collectors, the Commands, and the intelligence elements on board the Task Force command ship right up to and beyond the point where combat aircraft were called back on the night of 18 September. (U)

This information was thoroughly exploited by Intelligence Community analysts, who advised US military forces of possible

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popular reactions to a hostile intervention, including the increased likelihood of widespread internecine violence than has been the case during the peaceful operation that has taken place.

- Task forces working around the clock were established by the J-2 and DIA at the Pentagon and by CIA at Langley, to provide tactical support to the military commands and analysis to national-level consumers, including the President, the NSC, and the Secretaries of State and Defense.
- A DoD officer served on the CIA Task Force, and several CIA analysts on the J-2 Task Force, to ensure smooth coordination. (U)

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Prospects for Additional Cuban Refugees

17) How likely is another refugee outflow from Cuba? What would be the likely catalyst?

The near-term chance of another massive outflow of illegal migrants from Cuba is low. This is likely to continue so long as would-be migrants see only limited chances to reach the United States and as the Cuban government continues to uphold its end of the accord and enforce restrictions on illegal migration.

A dramatic rise in rafters could occur in the unlikely event that the Cuban government suspends its enforcement effort. Havana considers it important to uphold the accord as a way of engaging the United States on bilateral issues, and it would not regard an uncontrolled outflow as in its interests. Nevertheless, it has stated that it regards US efforts to prevent migrants from reaching the United States as a critical element of the agreement. If Washington, were to reverse its policy on admitting illegal migrants--in Havana's view, again making the United States a magnet for increased migration--the Cuban government could loosen migration enforcement.

Even with continued enforcement, there could be some resurgence in rafters. Prior to the crisis last year, illegal migration had been steadily rising to a rate of about 10-15,000 per year. Improved weather in the spring or the admittance to the United States of migrants now at Guantanamo could result in some increase in illegal migration--to the United States and to other countries in the region.

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Prospects for Political Reform in Cuba

18) In discussing the internal situation in Cuba (p.12) you state in your prepared testimony that "political reform is not in the cards." Does the Intelligence Community believe that US termination of its long-standing economic blockade of Cuba could bring about significant enough changes to Cuba's society to accelerate political reform?

It is highly unlikely that President Castro would permit political reforms, such as open elections or a multi-party system, that would substantially reduce his authority or control over the political system. Over the short term a termination of the embargo would not change the political calculus in Cuba. It could provide the Castro regime some limited economic benefits, but Cuba's problems--which stem from its own inefficiencies and the loss in aid from the former Soviet Union--would persist.

Over the longer term, the impact of terminating the embargo is less clear. Any economic improvement would work to Castro's advantage; moreover, he might be able to gain additional domestic credibility by having successfully overcome a US embargo. On the other hand, an end to the embargo would undercut Castro's ability to use the United States as "the enemy" to rally public support. In addition, increased contacts between Cuba and the United States could increase public sentiment for change in Cuba and strengthen the opposition.

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Analyzing Corrupt Foreign Business Practices

19) In his prepared statement [p. 29], Director Woolsey states that the Intelligence Community is "not in the business of passing secrets to US firms. But it does mean that we bring these corrupt foreign practices to the attention of the White House and the State and Commerce departments who then seek redress--often successfully." Can you give us some examples of what corrupt foreign business practices you have detected and how policymakers have sought redress?

(Response)

First of all, there is a distinction between corrupt foreign business practices and unfair trade. You must understand that what US law considers corrupt or illegal is not necessarily so in all foreign countries. That said, we have evidence of unfair trade practices by foreign governments and foreign firms concerning dumping in third world markets, unauthorized acquisition of US technology, payoffs of government officials, or influence peddling.

We have informed--and continue to inform--concerned policy community officials of these instances, but it is up to them to make a determination of whether and how to seek redress. On a number of occasions they have taken a variety of actions to deal with unfair trade practices based at least in part on Intelligence Community reporting and analysis. These officials can provide specifics on their actions and the contribution of Intelligence Community support.

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The Parameters of Economic Intelligence

20) Director Woolsey has stated in strong terms that while the United States will continue to cover some economic issues, it does not and will not engage in "economic espionage."

a) Where is the dividing line between permissible economic intelligence and impermissible espionage?

b) Are there issues on which the Intelligence Community simply will not collect information, because it is inappropriate? Or does the difference lie only in the fact that you will not spy on foreign companies for the purpose of providing information to American companies?

## Response

Without inappropriately going into detailed examples of economic issues our consumers in the US policymaking community have identified as being of the highest intelligence value to them, let me define what I call the essence of economic intelligence--the permissible side of the line.

- First, it is helping US policymakers understand the general economic forces faced by foreign officials in key countries that will directly or indirectly affect their policy options, particularly toward the US.
- Second, it is helping US policymakers understand foreign positions and practices towards international agreements, especially those involving the United States.
- Last, it is helping US policymakers understand how foreign governments or firms are violating laws, breaking international agreements, or behaving outside the norm.

As for the other side of the line--we do not spy on foreign companies for the purpose of providing information to US firms.

- Moreover, we do not focus on any economic issue that is not directly responsive to policymaker interests and needs. And we do not report information that is openly available in the public sector. It is, however, important that the Intelligence Community have ready access to that information to help focus our collection on issues that truly require intelligence resources and to help put clandestinely acquired information into a proper perspective.

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Ensuring a Level Playing Field

21) One area in which Director Woolsey has said the United States will continue to collect intelligence is on the improper trade practices of other countries--to help ensure a "level playing field" for American companies.

a) How well are you able to do that? Is this aspect of economic intelligence one that is likely to increase in the future?

b) Are other countries using unfair practices more than before? Or is the United States making progress in convincing other countries that the distortion of free markets is unwise?

(Response to a.)

The Intelligence Community has supported policymakers to an increasing degree to help ensure fairness in global competition. This support includes intelligence on unfair trading practices involved in winning contracts. The threat to US economic interests will absolutely increase as foreign governments attempt to ensure the success of their companies. The Intelligence Community's role will certainly become more important as global competitions intensify.

(Response to b.)

We are better at detecting unfair practices than we were before, although these practices have become somewhat more sophisticated. We have made some progress toward having these issues addressed in both multilateral and bilateral negotiations. For example, in 1994 the US was able to secure an OECD recommendation against bribery in international business transactions. Despite this, some foreign companies and governments continue to be very aggressive. In some countries a firm's autonomy from government direction, allows it to circumvent any progress that has been made to convince governments that distortion is unwise. Governments and companies are more likely to resort to unfair trade practices when the stakes are high.

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Economic Intelligence Priorities

22) The United States has collected intelligence on world economic trends since the 1940s. In recent years, however, press stories and your own public statements have indicated that policymakers are more concerned about economic issues than ever before. What sorts of economic issues does the Intelligence Community have to be prepared to cover?

(Response)

Although a closed session would allow more specificity about these issues, let me make these points. The CIA's analysis on international economics is tailored to meet policymakers' needs in several critical areas:

- Monitoring the pace, scope, and direction of economic reform in the former Soviet Union, Eastern Europe, as well as China and other key emerging markets;
- Assessing world-wide trends in regulatory policies that may adversely affect US producers;
- Tracking questionable business and financial activities intended to disadvantage US business interests overseas; and
- Providing critical support for our international missions, such as monitoring UN imposed sanctions, or warning of impending humanitarian crises.

This work augments/complements that done by State Department Foreign Service and Commerce Department Foreign Commercial Service officers.

The Intelligence Community and the policymakers that seek our assistance are keenly aware that high-quality information and analysis on international economic subjects are available from many sources outside the Intelligence Community. With that in mind, the Intelligence Community:

- Carefully selects the tasks and tailors its support to policymakers responsible for formulating and executing US economic policies.
- Provides economic intelligence that "adds value" to the policymakers. Our intelligence reports and analysis are based on information that is not routinely openly available. Our products do not duplicate, but complement the vast flow of facts and figures on traditional topics

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such as foreign economic trends and international trade flows available to policymakers through other channels.

Toward this end, the nature of the Intelligence Community's economic work is on providing focused support explicitly requested by the policymakers. To be sure, we will do broad macroeconomics and longer term work if directed by key consumers, but this too is tailored to the expressed needs of the policymakers.

- Even in these cases, the Intelligence Community provides a unique product to the consumers by preparing interdisciplinary, all-source political, social, and economic analysis of all the forces at play on the region or country under study that policymakers have said in testimony here that they can not get any place else.

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The Utility of Economic Intelligence

23) In your estimation, how useful has U.S. economic intelligence been during your tenure as DCI? How have policy makers reacted to what you provide?

(Response)

From my vantage point, the Intelligence Community made significant contributions to the economic well-being of the US during my tenure. Although it is always hard in an unclassified setting to point to our successes, and it also should be noted that intelligence is only one part of the mosaic of US Government decisionmaking process, I can say with much satisfaction, that economic intelligence-- often provided at critical times--has enabled US officials to make better policy decisions that quite likely would not have been the case without the intelligence support.

During my time as DCI, economic intelligence has fed directly into both policy formation and implementation. It has helped US Government officials to better understand the:

- Competition US businesses face in their efforts to expand overseas markets and the sometimes unfair or illicit hurdles they must overcome;
- Foreign positions and practices toward international agreements;
- General economic forces that directly affect not only their economic policy options, but also their political options as well.

I have often heard from key US economic decisionmakers and other regular users of economic intelligence praise for the support they receive.

Quite frankly though, I would encourage you to hear directly from the folks at the NEC, Commerce, and USTR among others that use economic information obtained from a variety of sources to get a balanced perspective on the value-added, tailored nature of the economic intelligence product provided to them by the Intelligence Community.

In short, it is my understanding that they appreciate, as much as I do, the achievements of the Intelligence Community in the realm of economic intelligence during the last two years.

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Foreign Countries Spying on the U.S.

24) A related area of concern is what other countries do to spy on U.S. companies. The press has reported on some cases of French spying over the years, and Russia's intelligence chief has said that economic intelligence is one of his main priorities.

a) Are more and more countries getting into the business of using their intelligence services to engage in economic espionage. Or is a small group of "the usual suspects" responsible for all of it?

b) What does the Japanese government do? Do they engage in economic espionage? Do they orchestrate industrial espionage by Japanese companies?

**Answer:** We would be happy to respond to these questions in closed session.

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The U.S. Corporate View of Economic Intelligence

25) In a public hearing that this Committee held two years ago, officials of U.S. companies stated that they did not want the United States Government to provide them with economic intelligence information. They did want the Government to tell them, however, when it discovered that a foreign government or company was spying on them. And despite the good efforts of the Overseas Security Advisory Committee of the U. S. State Department, these company officials reported that they received very little case-specific warnings from the FBI or other U.S. agencies. What has been done, since then, to improve this situation? What does the CIA do if it learns that a U.S. company is being targeted by a foreign government or company?

**Answer:** I have indicated repeatedly in the past two years my strong feeling that the Intelligence Community is not, and should not be, in the business of providing economic intelligence information to the U.S. private sector. Likewise, as I shared on 15 November 1993 with the senior corporate representatives who comprise the Executive Committee of the Overseas Security Advisory Committee (OSAC), the Intelligence Community has a continuing commitment to work closely with the private sector to deter what we have coined as "economic espionage" activities fomented by foreign state-sponsored entities. I wish to emphatically distinguish between "industrial spying" and "economic espionage." The U.S. Intelligence Community is NOT in the business of dealing with companies spying on other companies. However, when we see indications that business entities are supported or used, directly or indirectly, by foreign state sponsors, to engage in economic espionage activities detrimental to the national security interests of this country, the Intelligence Community works closely with the private sector and the law enforcement community to examine a range of possible actions.

I believe that the private sector's concerns about increasing signs of "economic espionage" and the complaints regarding relatively few case-specific warnings are well founded. Despite the continuing necessity to protect sensitive sources and methods, more can and must be done against foreign state-sponsored economic espionage. Through the good offices of OSAC and more recently, since the creation of the National Counterintelligence Center in August of 1994, the Intelligence Community has accelerated a cooperative effort, comprising the Department of State and the law enforcement community, as well as key private sector leaders, to define specific threats and to establish more effective mechanisms to recognize, report, analyze and take both defensive and offensive actions against these threats.

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We also work very closely with the FBI on cases involving espionage against U.S. firms. We have formulated a program with the FBI to brief U.S. companies on an as needed and equitable basis and alert them to foreign targeting developments. Through our dialogue with them, U.S. companies often provide us insight into foreign targeting activities.

I am certain you will wish to engage in closed hearings with representatives from the policy, intelligence and law enforcement communities, along with their private sector partners to examine the specific actions being taken to thwart foreign state-sponsored economic espionage.

Finally, for those who might not be familiar with the Overseas Security Advisory Council (OSAC), which you mentioned in your question, let me add that it is a joint venture between the Department of State and the U.S. private sector initiated in 1985 to interact on overseas security problems of mutual concern. Originally growing primarily out of the need to address local unrest, terrorism and other violent activities, the partnership has expanded to include the protection of information and technology abroad. The OSAC Committee for the Protection of Information and Technology includes representatives from four U.S. corporations and technical advisors from the National Security Agency and the National Counterintelligence Center. OSAC, through this committee, coordinates action among various Federal agencies and the private sector on a national strategy for the protection of intellectual property worldwide. Among OSAC publications distributed to its over 1,400 U.S. based organizations is a concise outline for U.S. businesses which highlights methods to enhance information security and the threat posed by foreign intelligence services.

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**The Risks of Collecting Economic Intelligence**

26) How do you balance the benefits that come from collecting intelligence on economic issues against the risk that such collection--or even the mere allegation of it--could prompt other countries to retaliate by increasing their defensive measures, by spying in turn on U.S. companies, or by becoming anti-American in policy discussions? Has it been your job to weigh those equities, or does the National Security Council do that? How regularly are these concerns weighed?

**Answer:** While a full answer to this question must be reserved for a closed session, I can say that some significant economic policy considerations have been formed by intelligence. The strength of the intelligence contribution lies in its ability to combine economic and political considerations to provide insight into the policymaking process in foreign countries. Given the increasing prominence of economic issues in U.S. diplomacy, it is essential that State be able to maintain at least its current level of capability on economic issues. Collection and analysis of macroeconomic conditions, except in a few countries where relevant information is not openly and freely available, is best left to the U.S. business and academic communities.

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Withdrawal of UNPROFOR from Bosnia

27) In Director Woolsey's prepared statement dealing with the potential withdrawal of UNPROFOR forces from Bosnia, he stated that "[a]ny withdrawal is likely to encounter opposition by at least one of the combatant parties, and could necessitate U.S. military intervention to help extricate allied forces." How significant a U.S. military force would be required to help extricate allied forces from Bosnia? What would be the significance of U.N. force withdrawals on the situation in Bosnia?

It is our understanding that NATO consideration of the requirements for assisting an UNPROFOR withdrawal from Bosnia has not been completed. Questions related to U.S. participation in such an alliance effort are better directed to the Secretary of State, the Secretary of Defense, and the Chairman, Joint Chiefs of Staff.

The complete withdrawal of U.N. peacekeepers is unlikely to take place in isolation. It likely would result from a significant deterioration in the current situation-- for example, a major increase in the level of fighting resulting in significant U.N. casualties. In this context, the withdrawal of UNPROFOR personnel from Croatia likely will have a significant impact on U.N. peacekeeping operations in Bosnia. It increases the risk of renewed fighting between Croat and Krajina Serb forces and could spark renewed fighting in Bosnia. In addition, the U.N. would have difficulty supporting peacekeeping operations in Bosnia if UNPROFOR were to lose access to key logistics facilities in Croatia.

The withdrawal of UNPROFOR personnel from Bosnia would increase the vulnerability of isolated government positions to blockade and attack. It would adversely affect humanitarian relief operations in these areas. UNPROFOR's presence also contributes to maintenance of the Bosnian Federation.

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Public Disclosure of the Intelligence Budget

28) As you know, many in Congress have advocated public disclosure of the aggregate intelligence budget. Late last year, the House Appropriations Committee apparently went further than this and disclosed the size of the FY 1995 budget request for the CIA, the Defense Department's portion of the National Foreign Intelligence Program (NFIP), and for tactical intelligence programs. In your opinion, did this disclosure of intelligence funding harm US national security? If so, how?

**ANSWER:** I remain concerned about the inadvertent disclosure of intelligence budget figures by the House Appropriations Committee. My time as DCI has reinforced my view that there is little to gain and potentially much to lose by publicly disclosing the intelligence budget.

- First, simply disclosing an aggregate number would serve little purpose. Such an action, however, in my view, would place us on the "slippery slope"; it would raise questions about the contents of the budget and would increase pressures and demands from a variety of sources for provision of specific details on individual intelligence programs.
- Second, given the fact that our adversaries are becoming extraordinarily skilled at utilizing denial and deception because they have become increasingly knowledgeable about US intelligence collection techniques, I have serious reservations about providing any indication as to where the Community is making future investments, especially those directed at defeating denial and deception by adversaries. For example, budget disclosures which indicated the Intelligence Community was investing in the acquisition of unique technologies in order to penetrate systems that adversaries considered secure or to observe activities that they believed to be concealed could lead to the compromise of highly costly intelligence capabilities developed to keep Americans and American interests safe.
- Third, I believe that the public's trust in intelligence can best be kept by vigorous oversight from the Congress. As you know, we are completely forthcoming in making budgetary requests of the Congress and are always prepared to respond to requests for additional data or justification on specific issues. I believe the American public has faith that the Congress will ensure that there is very stringent review of the budget and that no program will be supported unless there is sound justification. In fact, I would submit that a fundamental reason why this

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Committee was established was to have a select group of Senators not only provide oversight of sensitive intelligence matters but to conduct comprehensive scrutiny of the budget.

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The Intelligence Community's Vulnerability to Espionage

29) The Ames espionage case caused a lot of people to wonder if we are any longer capable of carrying out intelligence activities in a secure, effective way. If one traitor can do this much damage, and if, as a practical matter, there is no foolproof way to detect a spy in our midst, some may wonder whether it is worth even trying, particularly when the Cold War is over. How do you respond to this?

**Answer:** Let me make two points in responding to your question:

--First, there is clearly "no foolproof way to detect a spy in our midst." Nonetheless, I have taken a wide variety of steps--which I have outlined to this Committee--that will help us more quickly detect spies and, more importantly, that will help us respond more effectively to the kind of signals that suggest an employee is vulnerable to espionage. These steps range from carefully crafted Agency-wide counterintelligence and security training to the creation of new offices with focused missions and resources designed to respond to the counterintelligence threat.

--Second, the quality of intelligence we have acquired on key targets worldwide demonstrates that we can indeed conduct secure intelligence operations. Policymakers have praised our analytic product, and the growing demand for policy support, in itself, serves as even more eloquent praise--and testimony to the fact that our work remains essential in the post-Cold War world. Clandestinely acquired information is a critical element in our analytic product and one that we cannot afford to lose if we are to continue to effectively serve the national interests of the United States.

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International Terrorist Activity in the U.S.

30) In Director Woolsey's prepared testimony (p. 18), he cites that there "is a growing pattern of cooperation among terrorist and extremist groups." Are you seeing a growing pattern of cooperation among terrorist and extremist groups here in the U.S.? What trends do you see in the involvement of Hizballah, HAMAS, and other groups in terrorist incidents in the U.S.?

**Answer:** As you know, the FBI takes the lead on domestic terrorism, and we work very closely with the Bureau to supply information we have gathered overseas on terrorists who are active in the U.S. This question is obviously a very important one, and I would propose that CIA work with FBI to develop a response to it. This response would best be provided in a closed session, in my view.

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Possibility of Continued Terrorism by the PLO

31) Is there any evidence suggesting that the PLO is still involved in terrorist activities?

**Answer:** We have no evidence that any PLO group has engaged in acts of terrorism since Israel and the PLO signed the Declaration of Principles in September 1993, and Yasir Arafat reiterated his 1988 renunciation of terrorism.

Since September 1993, Palestinian terrorism -- including that perpetrated by Islamic extremist groups such as HAMAS-- has been confined to splinter groups beyond Arafat's control.

The Popular and Democratic Fronts for the Liberation of Palestine (PFLP and DFLP), which have never been directed by Arafat, renounced their membership in the PLO in September 1993 to protest the Gaza-Jericho Accord, and have conducted several attacks inside the Territories over the past year.

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Ballistic Missile Threat to the U.S.

32) In General Clapper's prepared remarks [p. 10], he states that "[b]y the turn of the century, we could see numerous countries with the capability to mate a WMD [Weapons of Mass Destruction] warhead (whether it be chemical, biological, or nuclear) with an indigenously produced missile of 500-1,000 km or grater range. At the same time, however, we see no interest in or capability of any new country reaching the continental United States with a long range missile for at least the next decade." Does the CIA and the rest of the Intelligence Community share this view?

Yes, the CIA and the rest of the Intelligence Community share the view. No new countries have emerged with the motivation to develop a missile to target CONUS and the four that we previously identified--North Korea, Iran, Iraq, and Libya--are at least a decade away.

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Targeting Denied Areas

33) The Intelligence Community, to a certain extent, was created to obtain information on so-called "denied areas" -- countries that were for practical purposes denied to US visitors during the Cold War. Either there were no diplomatic relations, or else our diplomats were so constrained they could not effectively gather information. Obviously, the Cold War is over and we have much greater on-the-ground access to places and information than we had before. But are there still "denied areas" where US citizens or diplomats cannot freely travel and we still depend primarily upon intelligence agencies to gather information? Can you give us a few examples? How many of these remain significant in terms of US national security interests?

**Answer:** During the Cold War, we categorized many countries as "denied areas." Many were accessible by US diplomats and visitors but the hostile political atmosphere made them difficult or dangerous places to collect information.

Although the Cold War has ended, there are still numerous "denied areas" around the world where information collection by US citizens -- either visitors or diplomats -- is very difficult or impossible. Examples include Iran, Iraq, Libya, Cuba, and North Korea -- all of which I am sure you will agree are significant in terms of US national security interests.

There are many other countries where we may have limited on-the-ground access but the dangers to US citizens make these places "denied areas," just as many countries were categorized as "denied" during the Cold War. We would be happy to discuss this further in closed session. To discuss this in open session could potentially risk the lives of the brave men and women who seek information in those denied areas.

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Requirements for Intelligence Collection and Analysis

34) There has been concern expressed over the years that the Intelligence Community tried to cover too many issues, that there were too many people collecting information that wasn't particularly useful, and too many people writing analyses that no one ever read. What is your reaction to this criticism? Are we wasting a lot of money collecting and analyzing things that nobody needs? Where is the place, in your mind, that we draw the line between doing too much and too little?

**ANSWER:** With the demise of the Soviet Union, the changed nature of the threat and the downsizing of the Intelligence Community, we clearly must manage our resources to focus against the most pressing threats to US interests and security. We are doing just that. Under my direction, the Community has initiated a major new reform--the National Intelligence Needs Process. The Needs Process will have a significant impact on how intelligence budgets are built and how resource decisions are made in the future. The FY 1996 NFIP Program will be the first budget submission to be influenced by this initiative, although it will not be until the FY 1997 program that the full Needs Process will be in place and reflected in the submitted budget.

The Needs Process ensures that the highest priority problem areas of concern to intelligence consumers in the policy making and military communities are identified and that collection, processing, and analytic production are focused on these priorities. The Needs Process involves using these priorities to align collector, analyst, and resource manager responses to best serve intelligence customers and to guide decisions when faced with competing needs and limited capacities.

This effort extends beyond the NFIP. The Needs Process also serves as an important vehicle to coordinate all intelligence spending--national and tactical. Given the traditionally close link between the Community and DoD, senior intelligence and defense managers are using the Needs Process to employ common descriptions of customer needs and to facilitate joint reviews and budget decisions. Effectively implemented, the Needs Process will drive collection, processing, and analytic production and keep the Intelligence Community focused only on responding to customer-identified needs while avoiding collection and production on peripheral areas.

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The End of the Cold War and the Continued Need for Intelligence

35) We also acknowledge the threat to the US has changed since the end of the Cold War. You have stated before that while we have slain the dragon, there are still a lot of serpents out there that we have to worry about. But would you say that overall there is less of a threat in terms of a military threat to our survival? If not, what is the nature of this threat and where do you see it? If the military threat to our survival has indeed diminished does this mean we can do with a smaller intelligence capability? If not, why not?

**ANSWER:** We all recognize that the threat of a nuclear first strike on the United States has greatly diminished since the demise of the Soviet Union and that militarily the world could remain unipolar well into the 21st Century with no other power or group of powers capable of matching the military capabilities of the United States. At the same time--as I outlined in my opening statement--serious threats to US national security remain and, in some areas, are increasing. In this environment, intelligence capabilities assume an increasingly important role in providing insight and assessment regarding global socio-political, economic and military activities that could ultimately affect US national interests and involve US military forces.

To meet these threats, we must maintain a strong intelligence capability with global access.

- First, we must retain a core capability to monitor those countries that have strategic nuclear forces and whose political orientation could become hostile to the United States.
- Second, we must monitor key regional areas in the world where conflict would threaten vital US interests. For example, the potential for conflict will persist in Southwest Asia so long as Iraq and Iran maintain their hostility toward the West and refuse to adhere to civilized norms. The threat of regional conflict will also endure in northeast Asia where a hostile North Korea is continuing to build up its military despite the current freeze in its nuclear program and as well in southeastern Europe where a wider Balkan war remains a serious possibility.
- Third, the proliferation of weapons of mass destruction will be an increasingly difficult and dangerous problem because it has the potential to make all other international problems worse. Wider access to technology and arms sources will make the spread of nuclear, biological, chemical and advanced conventional

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weapons increasingly difficult to control. The threat to US citizens and property will increase from a growing number of rogue states, and perhaps rogue groups acting outside the control of any state.

- Fourth, transnational threats to our security are decidedly increasing. International terrorism will remain a deadly tool that governments, ethnic groups, and extremists can and will use to spark unrest, disrupt diplomatic processes, strike back at peacekeeping forces, and check movement toward peace. The ability of terrorists to strike globally to further a regional or national cause--coupled with the lethality of modern weapons--means no nation is immune to attack, be it an assassination or mass murder. Other transnational threats such as international narcotics trafficking and organized crime will pose an unrelenting and increasing threat to the stability of states important to US security.
- Fifth, exacerbating each of these threats is the global revolution in communications technology and the growth and proliferation of sophisticated computer, information processing, and security technologies that enable even the least developed countries to acquire state-of-the-art communications systems readily and inexpensively. Adding to the complexity of this communications and computer mix is the increased military use of the global network. These changes in technology and worldwide communications paths mean that the military target will change daily. Of special concern are those technologies integral to weapon platforms which the U.S. may confront even in peacekeeping operations as well as a minor regional or low intensity conflicts. Consequently, the increased sophistication and lethality of modern arsenals will continue to demand the ability to collect, process, and fuse vast quantities of rapidly transmitted data in time to discern the threat.

Given that serious threats to our national security will persist well into the next century, the Intelligence Community must maintain robust capabilities, focusing on collecting information unavailable to the policymaker by other means or from other sources. Our emphasis must be on preserving and enhancing those collection and analytic capabilities that provide unique information to the policy level. And it is not a question of whether we must do this with a smaller intelligence capability; this is already a reality. Since 1990, US intelligence has shrunk by over 15 percent in real terms and the Community is downsizing at more than twice the rate of domestic civilian departments and agencies. Indeed, the challenge to intelligence managers today is to manage their shrinking resources effectively to meet this great range of threats to our national security.

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The Need to Prioritize Intelligence Targets

36) Former DCI Robert Gates has stated publicly that he does not believe that the Intelligence Community should be collecting and analyzing such issues as environment, world food supplies, health issues, etc. since these are considered more or less peripheral national security issues and detract from more pressing intelligence targets. Do you share this view? What priority should be given to such targets?

(Response)

I agree that such issues should not be accorded high priority for intelligence collection and analysis--and, indeed, they are not and have not been.

- We make this determination not because they are "peripheral" national security issues; in fact, environmental disasters, epidemics, famines, and related socioeconomic problems all have the potential to seriously threaten our security and our security interests abroad.

We commit relatively few resources to these issues because we concentrate on those areas where intelligence collection and analysis can add value to the formulation and execution of US foreign policy and the execution of US military and law enforcement operations.

- Socioeconomic policy issues indeed can be served well by the collection and analysis of openly available materials and US diplomatic reporting.

That said, the limited and focused application of intelligence assets to these issue areas can significantly enhance the effectiveness of US policy.

- The application of national technical collection assets affords a real-time understanding of developing environmental and humanitarian disasters.
- Our analysts marry intelligence collection with generally available information to provide narrowly focused policy support; they do not replicate the work of academics or the personnel of other government agencies, nor do they produce general survey assessments.

Indeed, collectors and analysts work closely with private sector experts, both to profit from their expertise and, under the Vice President's guidance, to explore ways in

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which declassified or sanitized intelligence information can serve their work.

Finally, intelligence collection and analytic capabilities, combined with our ability to support operations abroad, are unsurpassed in providing support for fast-breaking US action initiatives. I would be pleased describe a recent example--our support to the Rwandan humanitarian crisis--in closed session.

Our focused work on these areas does not detract from collection and analysis on issues where intelligence has a larger role to play.

- Halting this work would save few resources, and would detract from the support we provide to the National Security Council, and Department of State, the Department of Defense, and other policy agencies. I invite you to solicit their views on the usefulness of our work.

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Military Analysis

37) Former DCI Robert Gates has stated that the CIA should be smaller and that all military analysis, with the exception of Weapons of Mass Destruction, should be assigned exclusively to the Defense Intelligence Agency. What capability does the CIA currently have to analyze conventional military weapons and order of battle? What is the capability of the DIA to do this? What would be the impact if DIA alone analyzed the conventional military threat?

A principal strength of CIA's military analysis is the one-stop-shopping it provides through the integration of military, political, economic, and leadership analysis. This is augmented by CIA's ability to adjust its analytical resources to respond quickly to crises.

Intelligence support of national security issues involves more than the analysis of conventional military weapons and order-of-battle. Intelligence that is responsive to our consumers' needs requires the synthesis of political, economic, leadership, and military analysis. Any separation of military analysis from the other disciplines would weaken this multidisciplinary integration and do a disfavor to many of the Intelligence Community's most important customers.

CIA has good capabilities to assess conventional military weapons as one element of the "whole picture" of a security issue. But the CIA's analysis also requires a sound understanding of military doctrine, force structure, logistics, and technical capabilities. And it reflects a strong knowledge of regional political, economic, and leadership realities that have a major impact on military capabilities.

DIA orients much of its analysis to support detailed military planning and operations at the major command level and below. Its ability to analyze conventional military weapons and order of battle is key to this work. Much of CIA's analysis, on the other hand, supports senior policymaking officials in many Departments and military commanders at the major command level and above. If DIA alone analyzed the conventional military threat, an important component of CIA's integrated approach to analysis would be lost for national-level consumers.

To improve support to our customers, CIA and DIA launched a program in 1993 to closely coordinate intelligence production. In this process, we were pleased to find that there was little duplication in our production. This stems from the fact that we are dealing with different consumer bases with different needs.

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I would also note that as a result of this program and other initiatives, CIA and DIA have already made a number of changes in the way they do business. DIA now has responsibility for order-of-battle production. A variety of mechanisms--quarterly exchanges of production schedules, short rotations, analyst/manager visits--have heightened the consciousness of analysts within both organizations to work together. Moreover, this year, for the first time, CIA and DIA will publish the upcoming year's scheduled production plans for both organizations under one cover.

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Intelligence Sharing

38) Certainly when it comes to technical capability we hear it said the US intelligence capabilities are second to none, and that the US spends far more on intelligence gathering and analysis than any other country in the world. Is this accurate? We also hear that we share a great deal of this intelligence on a bilateral basis with other countries. Overall, are you satisfied with these arrangements in terms of what we get in return? If we cut back our capabilities, would other countries be forced to do more? Should we be getting our friends and allies to shoulder more of the responsibility in this area?

**ANSWER:** The United States does spend more on its intelligence activities than any other government in order to support its worldwide interests. These expenditures--less than two percent of the federal budget--provide a substantial advantage to the President, key policymakers, and military commanders in the conduct of national security policy.

As far as intelligence sharing is concerned, we receive substantial benefits from foreign intelligence exchange agreements--benefits which go beyond the simple receipt of increased information. Our agreements with the intelligence services of other governments are part of the complex web of relationships between the United States and each of the countries with whom we have such agreements. Our allies remain important to the preservation of US national security interests and our willingness to share our intelligence capabilities enhances these alliances.

We share much intelligence information with our closest allies on many problems and military issues and have a wide range of relationships with friendly allies. We gain from their insights on subjects to which we may not have access. In exchange, we share our information and analytic insights which both enhances and provides a sounding board for our own conclusions.

Even with a narrow focus on the net benefits of the intelligence exchange, the United States receives sound value. Our relationships substantially expand the global reach of our collection capability, enhance our analytic efforts on key problems, and permit us to reduce the level of effort on certain targets. Our relationships give us additional capabilities that are necessary to respond to US intelligence needs. Absent these relationships, we either would not collect intelligence at all in some cases or would have to spend even more to replicate a capability which the foreign partner provides.

We should certainly encourage our friends and allies to do more--to share the intelligence burden. DESERT STORM

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highlighted the great value of intelligence to our allies, and some are already taking steps to upgrade their capabilities. However, these decisions reflect a desire to upgrade national capabilities rather than to supplant US capabilities which have been reduced over the past four years. While the US may benefit from these upgrades, either directly or indirectly, I do not believe that the benefits would be of sufficient magnitude to justify additional reductions in our spending. Moreover, you should realize that, while the United States has made significant cuts to intelligence funding since 1990, our allies' funding has not decreased to the same degree; thus, it is unlikely that allied services will make major new investments to enhance significantly their current capabilities.

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Monitoring a Comprehensive Test Ban

39) In Secretary Gati's prepared statement [p.5], she states that [d]iplomacy will be heavily engaged during the next few months as the U.S. presses for an unlimited extension of the Nonproliferation Treaty (NPT) at the NPT Review Conference this spring..." For many nations, conclusion of a comprehensive nuclear test ban treaty is necessary precondition for extension of the NPT. Does the Intelligence Community currently have sufficient resources to adequately monitor a comprehensive nuclear test ban?

At the present time, the Intelligence Community (IC) does not have sufficient resources to meet the requirements for monitoring a comprehensive test ban (CTB). Current collection, exploitation, and analytical capabilities focus on non-evasively conducted tests which are part of declared nuclear weapons development programs. The IC does not have a capability to detect covertly conducted tests in all environments throughout the high priority regions of the globe as would be required to monitor a CTB with a high degree of confidence.

In December 1993, the President approved a multi-year CTB monitoring enhancement package to provide the required additional capabilities. At that time, it was decided that the budget for this package--which has as a goal to monitor evasively conducted nuclear explosions of a few kilotons yield--was to be funded out of existing and programmed budgets without asking for additional resources. The Administration attempted to reprogram end-of-year FY 94 funds to begin meeting these goals, and they were not successful. For FY 95, the Congress cut the Intelligence Community budget for the CTB enhancement package by about 60 percent.

The impact of these budget cuts are already being felt. In the international arena, the U.S.--which has provided leadership in the Conference on Disarmament in its conduct of a CTB monitoring exercise (called GSETT-3)--has had to scale back its technical support and participation. The failure to obtain the necessary funds has also dramatically reduced the installation of technical collection sensors in strategically important countries, delayed the development of important collection sensors, and reduced the research programs that are required to develop the analytical techniques that will be required to process the expected large quantities of data.

These resource shortfalls, if not remedied during the next two to three fiscal years, would not only affect U.S. capability to monitor a CTB. It would also prevent the U.S. from building a capability to detect covert tests by rogue states seeking to develop sophisticated nuclear weapons that could be delivered by ballistic or cruise missile.

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Advanced Conventional Weapons

40) In Director Woolsey's prepared testimony [p. 21], he states that "(a)part from the capability of some advanced conventional weapons to deliver weapons of mass destruction, such weapons have the potential to significantly alter military balances, and disrupt U.S. military operations and cause significant U.S. casualties." Could you provide more examples of the sorts of advanced conventional weapons to influence specific military balances?

We are concerned with the proliferation of advanced conventional weapons because of their potential to challenge US military technological superiority as well as their potential to influence military balances in such regions as the Middle East and Asia.

Proliferation of advanced conventional weapons is unlikely to threaten overall US military superiority, at least in the near term. Nevertheless, acquisition and use by hostile countries such as Iran and Iraq of such systems as advanced Russian cruise missiles, air-to-air missiles, air defense systems, and strike aircraft could inflict significant casualties and require changes in US operational doctrine and tactics. For similar reasons, we would also be concerned if North Korea acquired advanced anti-armor munitions. Such weapons are of concern because many have improved sensors, guidance, propulsion, and countermeasure capabilities. Some have all weather, day/night capabilities.

The Intelligence Community is working aggressively to determine the threat to US weapon systems posed by proliferating as well as developmental advanced conventional weapons. We use that information to assist the Defense Department in developing effective countermeasures.

Proliferation of advanced conventional weapons could also disrupt regional military balances and threaten US allies. For example, for that reason we are concerned by Iran's acquisition of Russian Kilo-class diesel submarines. Acquisition by Iran of any of the other weapons mentioned above could also disrupt military balances in the Middle East. In addition, we are concerned about proliferation of advanced technologies from Russia and other states that could accelerate military modernization efforts in countries such as Iran and China.

We are developing new methodologies and collection strategies to assess the regional impacts of proliferation of advanced conventional weapons. We would be happy to brief you on these as well as give you other examples of the impacts of specific weapons on specific balances in closed session.

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Nevertheless, at least one good example exists: that of the "Hannover Hackers" in 1986-88, where a solid link was established between the intruders and Eastern European intelligence services. Other computer and network penetration activities, though not conclusively tied to foreign governments, may have been sponsored or exploited by adversary nations. And, very recently, in December 1994 the Italian "Armed Phalange" terrorist group claimed responsibility for an extensive disruption of the computer systems of a major Italian news service, in an incident which is still being investigated.

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"Information Warfare"

41) In Director Woolsey's testimony [p. 21], he states that "[w]e are engaged in assessing foreign intentions and capabilities to conduct what we call 'information warfare' -- that is, penetrating our telecommunications and information systems in order to corrupt or destroy data critical to our national and economic security." How significant a threat does the U.S. face from "information warfare"? Can you provide specific examples of how foreign governments have successfully penetrated U.S. telecommunications and information systems?

The Intelligence Community has studied these issues, and several agencies are currently collaborating on a Community Assessment titled "The Foreign Threat to US Information Systems" which will answer these questions in a classified context later this year.

The potential threat from "information warfare" is obviously major, given the increasing dependence of the US on advanced, complex telecommunication and computing technologies and the increasingly widespread availability of the technical capability to attack them. Adversaries could exploit our information systems to acquire sensitive information, modify databases, or deny or disrupt services. Operations could be performed over remote network connections, via insiders, by modification of hardware or software, through close-in technical means, using physical break-ins, or simply violent hard-kill assaults (blowing up critical systems). The wide range of systems subject to exploitation, the wide range of vulnerabilities those systems possess, and the wide range of potential intruder activities imply a correspondingly wide range of threat levels.

Specific "smoking gun" examples of foreign governmental penetration of US telecommunications and computer systems are not likely to be numerous, for several reasons:

- These information technologies are new and rapidly evolving, requiring some time to develop and implement programs to exploit them.
- Only a small fraction (a few percent) of all intrusions are detected; a much smaller fraction are traced back to their source.
- A competent foreign-government-sponsored penetration effort would take many steps to make it difficult or impossible to identify the origin of an attack.
- A foreign government could make use of criminals ("hackers" or "phreakers") for remote network-mediated intrusion projects, or could recruit "insiders" who have direct, authorized access to target information systems.
- Many foreign governments would hesitate to perform or sponsor intrusion activities in peacetime, because if detected and confirmed, could be viewed as an act of war or terrorism.

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Readiness of Intelligence Community Systems and Organizations

42) How has the readiness (responsiveness and utility) of the Intelligence Community's systems and organizations been improved to meet the needs of the changed military threat? What roles and missions have changed? What intelligence functions, programs, organizations and/or operations have been consolidated to improve the efficiency and effectiveness of defense intelligence in the last year?

**ANSWER:** Even as we have downsized and reduced resources dedicated to intelligence, we have decidedly improved our capability to support military operations worldwide. In my opening remarks, I described how the Community effectively met the needs of policy officials and military commanders for crisis warning and management in the case of Haiti. The Community has been similarly effective in the cases of Somalia, Bosnia, and Iraq.

Over the past four years, the Community has developed programs, procedures, and contingency capabilities that permit its resources to be mobilized rapidly to deal with military threats. For example, we can deploy rapidly Community intelligence teams to support Joint Task Forces whenever and wherever they are needed; we have ensured that these teams are well-trained and well-equipped and that they are supported when deployed around-the-clock by Washington agencies. We also ensure that intelligence teams participate in Defense exercises so they can perform effectively when called upon in an actual crisis.

Washington agencies, especially those responsible for technical collection and processing, have focused on developing contingency target sets in areas of the world where US forces may be called upon to support policy decisions; as a consequence, these collection managers can move immediately to initiate collection when called upon. Moreover, our ability to support military operations will only improve in the coming years as the Community brings on line new national technical collection systems that will have increased capabilities to support military operations and theater commanders.

The recent crisis with Iraq was an excellent example of how the Community warns of military threats and how rapidly it can surge national assets to support the theater commander. In this crisis, the Community not only was able to warn but was also able to surge all-source collection and analytic capabilities that delivered timely political and military intelligence to the President, the Department of State, the Defense Department, and CENTCOM. The confidence with which the US decision makers moved in this crisis reflected the responsiveness of national intelligence systems in providing critical intelligence.

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Decision makers had in-depth knowledge of the Iraqi forces being moved to the border with Kuwait and the capabilities of these forces. As a consequence, they were able to respond in a decisive way that ultimately forced Baghdad to withdraw its forces. The Community's performance in this crisis speaks volumes about the value of intelligence.

I would point inter alia to two major areas where intelligence functions have been consolidated and improved during the past year.

- First, as a follow-up to the study that I did for Bob Gates on future technical collection architectures and with the subsequent installation of new leadership in the National Reconnaissance Office (NRO), we have undertaken major efforts to consolidate functionally NRO activities. The sensitivity of these activities preclude me from speaking in specifics in this setting but, suffice it to say, major savings and efficiencies have been realized.
- Second, in the critical area of providing intelligence to customers worldwide--including the theater commands--we have made dramatic strides by introducing INTELINK, a development that has captured some public attention. INTELINK is the Community's classified version of INTERNET--a common, integrated information framework for providing broad data exchange within a dispersed grid of users. INTELINK concepts have the potential to improve greatly the exchange of intelligence products among producers and between producers and their customers using a standard, worldwide framework based essentially on commercially available hardware and software technologies. We have, moreover, done this in less than one year and at minimal cost.

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## DEFENSE INTELLIGENCE AGENCY

WASHINGTON, D.C. 20340-5100



U-40,524/PAQ-2

15 MAR 1995

Honorable Arlen Specter  
Chairman, Select Committee on  
Intelligence  
Washington, DC 20510-6475

Dear Mr. Chairman:

Enclosed is DIA's response to a number of questions for the record provided as a result of the 10 January 1995 hearing on the Worldwide Threat to the U.S. National Security Interests. If you have any additional questions, please do not hesitate to contact me. I look forward to working with you and the SSCI during the coming year.

Sincerely,

A handwritten signature in black ink that reads "James R. Clapper".

JAMES R. CLAPPER, JR.  
Lieutenant General, USAF  
Director

1 Enclosure  
Answers to SSCI  
Questions

Question 1: In your written testimony you assert that "by virtually every objective standard used to measure military capabilities--manning readiness, training, morale, logistics, and material maintenance--the Russian military continues to suffer major problems. As a result the military is currently only capable of conducting limited conventional operations around the periphery of Russia. As we have seen in Chechnya, even that operation has experienced problems." If present trends continue, what will be the Russian military capability to conduct operations five years from now? Do these trends indicate the possibility that Russia may soon have insufficient military force to retain order within Russia?

Answer: Although many problems will persist well into the 21st Century, we expect some improvements to occur in the later half of this decade. The disruption associated with force withdrawals, reductions, and reorganizations will be alleviated as those programs are completed. Units may be able to shift some resources to improve training and material readiness. Similarly, as the Russians reduce their force structure, they will be more capable of manning their forces with available personnel resources. The current personnel shortages will be reduced. Also, as force structure is cut, the Russians are reducing older items of equipment and equipping their remaining units with the most modern items in their inventory.

Nevertheless, we expect the Russian military to continue to experience severe problems with funding and with recruiting and retaining quality personnel. Although readiness will improve, we believe that these problems will prevent widespread, across-the-board amelioration of readiness shortfalls until well in the next century. On balance, we assess that the Russian military will be able to counter or contain threats that can reasonably be expected to arise within its borders or from within or on the periphery of the former Soviet Union. However, as was the case in Chechnya, because of its continuing readiness problems, it may initially experience high casualties and tactical setbacks particularly in a short-warning situation.

Question 2: In your written testimony [p. 5], you state that Russia has "...active biological and chemical warfare programs. Politically, moreover, we believe that START II ratification in the Duma is problematic, and the Russians are continuing to express intense opposition to the flank limitations of the Treaty on Conventional Armed Forces in Europe." How robust are Russia's biological and chemical warfare programs? What is the likelihood that Russia would ultimately comply with the arms control agreements such as START II and the Chemical Weapons Convention?

Answer: Russia's biological warfare (BW) program involves more than 20 facilities. This infrastructure involves facilities subordinate to the Ministries of Defense, Health, Agriculture, and the biotechnology consortium called BIOPREPARAT. These facilities support the full spectrum of research through production and weaponization. Dual-use facilities for wartime agent production of large quantities of BW agents are found at multiple sites belonging to BIOPREPARAT. These facilities produce legitimate pharmaceutical products in peacetime but are designed to convert to wartime BW agent production. The open air BW test facility on Vozrozhdeniya island in the Aral Sea is on Kazakh territory and has been shut down.

Staffing of the program is assessed to have been affected by the recent upheaval in Russian scientific sector. Figures of between 6,500 and 25,000 dedicated scientific workers have been reported. The former figures were cited by the Russian defector from BIOPREPARAT, Vladimir Pasechnik, and are very close to those declared by Russia's 1992 Biological Weapons Convention (BWC) declaration as supporting offensive BW work.

In Russia's 1993 BWC declaration, there was no mention of any offensive BW activities. Instead there was a description of a defensive BW program currently centered at 5 primary facilities supported by 7 others, with a staff of at least 6,000. This new Russian version of a defensive program undoubtedly incorporates a significant portion of the facilities and personnel of the earlier offensive program. The size of the resulting entity is inordinately large for its purported purpose.

Russia has the largest and most advanced chemical warfare program in the world and maintains a considerable stockpile of nerve, blister, blood, and choking agents. Moscow has repeatedly stated that its chemical weapons stockpile consists of 40,000 metric tons of toxic agent in weapons and in bulk storage. A consolidation effort has been underway since 1987, and President Yeltsin stated in January 1992 that all former Soviet chemical weapons were on Russian territory.

The destruction of Russia's stockpile will be both expensive and technically complicated. Russia currently has no large-scale chemical warfare destruction facilities and will not be able to begin full scale destruction before the late 1990s. This process is not likely to be completed before 2010, because of delays in

formulating a plan, building facilities, obtaining needed foreign technical and financial assistance as well as obtaining legislative approval.

In making its monitoring assessments of Russian activities related to Chemical and Biological warfare associated treaty provisions, the US Intelligence community has observed Russian inconsistencies in regard to the BWC and its related September 1992 Trilateral Statement, as well as the CWC and related 1989 Wyoming Memorandum of Understanding.

Although the BWC was signed in 1972, ratified and entered into force in 1975, the actions of Russian MOD officials and others have impeded Russian compliance with the Treaty. The Russians have not officially acknowledged that weaponization and stockpiling of BW agents ever took place, and consistently have misrepresented the size, scope, and maturity of the former Soviet program and current Russian program. Russia has signed, but not ratified the CWC. Moscow has objected to certain provisions which will be costly and require destruction of former chemical weapons production facilities. Moreover, information provided by scientists formerly associated with the Russian chemical weapons program suggest that some factions within Russia are determined to retain a chemical weapons capability, even after the treaty enters into effect.

**Question 3:** What general trends has the Intelligence Community noticed of scientists, technology, and conventional and unconventional military sales to other nations? What trends have you detected that Soviet nuclear materials, BW, CW, or ballistic missile-related materials or technology, have found their way to the international black market? What are the implications of these trends for US national security?

**Answer:** Arms exports have plummeted from the Soviet-era high of over \$20 billion annually in the mid 1980s to about the \$1.5 billion level for 1993 and 1994. Russia over the last three years accounted for more than 90 percent of the delivery values from all the former Soviet republics. Ukraine was the only other state to export major equipment while the other states provided primarily components. Much of the decline reflects the end of Cold War motivated arms deliveries to poor Third World client states, such as Afghanistan, Angola, Ethiopia, Cuba, and Nicaragua, which in the past received weapons free or deeply discounted. Generous loan or barter programs with major recipients such as India and Syria were also scaled down significantly. Some trade was lost in complying with UN arms embargoes, particularly against Iraq and Libya. Russia simply cannot afford to subsidize former Soviet clients. In order to increase weapons sales, Moscow is making a concerted effort to seek new cash-paying customers, particularly, in the Middle East and Asia. These efforts began to produce results in 1994, when Moscow signed \$4-5 billion in new arms-sales agreements, deliveries of which, however, will be spread over several years.

The so-called "brain drain" of Russian scientific expertise is a potentially worrisome avenue for technology transfer. Russia's scientific and technical labor force has declined by about 10 percent a year since 1990 because of funding cuts that reduced many to poverty-level wages. Many scientists and technicians have turned to other pursuits in the private sector, but a number have been approached and some recruited by other countries. Numerous reports have surfaced of Russian scientists travelling at least for short periods to the Middle East and Asia, including China. To what extent technological know-how may have been transferred is unclear, but such trips raise growing concern in the West that significant military technology could fall into the wrong hands. Monitoring the travel and emigration of scientists will continue to be a struggle for Russia's over-stretched security apparatus. Current economic hardships increase the incentives for corruption in obtaining false passports and visas.

The growing power and influence of organized crime groups in the former Soviet Union raise proliferation concerns in the West. The potential exists for such groups to use bribes and influence over government officials to funnel sophisticated weapons through gray arms markets to terrorist organizations or countries hostile to the West. This is especially true for easily concealed weapons and equipment, such as manportable surface-to-air missiles or night vision equipment, that are difficult to track.

Raising even more apprehension in the West is the possible proliferation of materials, technologies, and expertise relating to weapons of mass destruction. We have no convincing evidence of significant transfers, but remain concerned that poor government controls and the difficult internal situation increase their likelihood. Russia, Belarus, Kazakhstan, and Ukraine are the only Soviet successor states considered to have the capability for proliferation of weapons of mass destruction. They inherited the largest stockpile of nuclear, chemical, and biological weapons in the world, as well as large numbers of delivery systems and an extensive scientific base. Their governments have foresworn any intention to transfer technology related to weapons of mass destruction and are making efforts to prevent it. Despite high-level support for establishing effective export controls, however, legal, personnel, and funding problems are slowing progress. In Russia, many of the same agencies involved in enforcing export controls are also responsible for promoting weapon sales.

Question 4: In your prepared testimony [p.2], you state the following regarding North Korea's military forces: "Concentrated in the southern part of the country and able to transition to war in a matter of days, the North's military continues to significantly outnumber the combined ROK and US forces. To be sure, this military has shortcomings and vulnerabilities, but the nuclear frame work accord has done nothing to diminish the North's current capabilities to conduct a war against the South. Moreover, the North's military preparations continue apace, with additional long range artillery and missile systems being moved closer to the DMZ. In the future, the key questions will be whether the North follows through on the nuclear agreement, and whether, finally, they begin to reallocate very scarce resources away from the military." General Clapper, you have considerable personal experience following the situation in Korea.

a) What is your sense of the likelihood that North Korea will invade the South in the next year? Under what circumstances would a war be likely?

Answer: Given the deterrent capability of the ROK-US alliance, the North's demonstrated desire for closer relations with the United States, and their self-proclaimed "victory" in coming to terms with the US in the Agreed Framework, we assess the possibility for North Korea to attack the ROK during the next year as low. Further, we assess that the North Korean leadership under Kim Chong-il will adhere to the Agreed Framework, particularly in the near term, as they perceive their chances for survival best served by strategies that emphasize economic improvement and political-economic opening to the United States and other industrialized nations. Such emphasis, if sustained, would reduce Pyongyang's motivation to resort to reunification by military force, but would not in our view result in the near-term dismantling of a force capable of executing the military option.

b) With the general relaxation in tensions on the Korean peninsula in the wake of the nuclear agreement, how do you account for North Korea's apparent military preparation?

Answer: North Korea continues to improve and train its forward deployed forces. This underwrites their desire to maintain current conventional force capabilities and military readiness while maximizing the agreement's political-economic benefits. DIA assesses that Pyongyang's ongoing efforts to improve military capabilities are not indications of preparations to reunify the peninsula by force in the near term. We judge that Pyongyang will retain their large conventional force capabilities over the next few years in order to maintain their brand of deterrence, i.e., military and diplomatic pressure on the US and the Republic of Korea.

c) What is the likelihood that North Korea will comply with the nuclear agreement and reallocate resources away from the military?

Answer: These are two separate questions.

- First, North Korea is not likely to abandon the 21 October Framework Agreement unless another--more advantageous to the DPRK--is worked out to replace it. The DPRK faces increasingly desperate economic circumstances and needs as well as wants international recognition and help from the United States, Japan, and other Western states. As long as the framework agreement serves its national interests, North Korea is likely to comply with it.

- As we discussed in the answers to questions A and B, above, the near-term likelihood that North Korea will reallocate significant resources away from the military is remote. Pyongyang sees and describes the ROK as the primary threat against its regime survival. Again, we judge that Pyongyang will retain their large conventional force capabilities over the next few years in order to maintain their brand of deterrence, i.e., military and diplomatic pressure on the US and the Republic of Korea.

d) How strong is Kim Chong-il's hold on power? What is the likelihood that he will still be in power one year from now?

Answer: Kim Chong-il has still not formally succeeded his father Kim Il-song in terms of "official" functions and "official" titles, he appears to be in full control of the party, military and government affairs. His march to the "official" seat of power is deliberate, and probably conditioned by the need to maintain filial piety as well as faithfulness to the long-range plan set by Kim Il-sung. Indeed, as long as he carries out the policy course set by his father, i.e., economic improvement based on a direct relationship with the United States, Kim Chong-il's chances of holding on to power will remain strong. The present precarious state of the North Korean economy is the motivating factor behind the regime's pursuit of this policy line. In our view, the likelihood of his retaining power in the long run may depend more on his ability to resolve economic difficulties at home than on any desire for or plan to attack the ROK.

Question 5: In your prepared testimony [p. 7] when you discuss tension between India and Pakistan, you state that "[we] believe that both Islamabad and Delhi are preoccupied with internal problems and recognize that war is not in the interest of either. However, as always, this remains a potential flash point because of the danger of miscalculation and prospect for rapid escalation of a crisis." In your opinion, what issues must be resolved between India and Pakistan to minimize the threat of armed conflict? What is the likelihood that these bilateral issues will ever be resolved?

Answer: The confrontation over Kashmir is the principal Indo-Pakistani dispute that must be resolved to minimize the threat of armed conflict in the region. Apart from Kashmir, however, historically rooted animosity and profound distrust--especially on the Pakistani side--drive a military rivalry that is potentially destabilizing. The legacies of partition, three wars, and troublesome separatist movements pose significant obstacles to reducing the risk of war. Finally, China is an important factor in the South Asian security equation; New Delhi is improving relations with Beijing but remains wary of Chinese ties to Pakistan.

The dispute over Kashmir could become a less salient component of the Indo-Pakistani rivalry, as was the case from 1966 to the late 1980's. One development that would further these prospects is a free and fair election in Kashmir in which a wide range of militant leaders participate.

The broader and more deeply rooted mutual animosity can only be resolved very gradually. Economic growth and better primary education, increased bilateral trade, and greater cooperation in areas like counternarcotics and environmental management can begin to undermine the Indo-Pakistani "cold war."

Improving Sino-Indian relations also could contribute to a reduction of Indo-Pakistani tensions. Beijing has some ability to mitigate Indian concerns about the scale of the military threat on its western borders, and to encourage Pakistani cooperation.

**Question 6:** Last Fall, Saddam sent two elite Republican Guard armored divisions toward the Kuwaiti border. What do you think was the likelihood that Saddam would have invaded Kuwait again? What is the likelihood that Saddam might try something similar in the future? Is the Iraqi military's readiness at a high enough level to pose a significant threat?

**Answer:** We do not know whether Saddam intended to invade Kuwait in October 1994 or just provoke an international reaction. The October crisis is further evidence of Saddam Husayn's unpredictable nature. Iraq's emissaries had been engaged in a year-long campaign of diplomatic entreaties to lift the UN-imposed sanctions. The Republican Guards made their threatening move toward Kuwait on the eve of the UN Security Council's 60-day review of sanctions compliance, after it had already been made known that no time table would be established for modifying economic sanctions. This is a reminder that when Saddam perceives that his regime is in peril or that his concerns are not being properly addressed, he will lash out. We cannot say with certainty what his intentions were, but at a minimum he certainly captured the world's attention. The Republican Guards were deploying sufficient force to do extensive damage to Kuwait and/or seize some Kuwaiti territory. Saddam's next step most likely was contingent on the reaction of Coalition governments.

Driven by desperation or overconfidence, Iraq might likely threaten Kuwait again. Iraq's future actions will depend to a large degree on the state of its economy and its perception of the commitment of the United States and others to defend the smaller Gulf nations. In the near term, Iraq could resort to threats of force, as it did in October, particularly if Saddam has little hope that the UN sanctions will be lifted. After sanctions are lifted, there will remain the potential for conflict between Iraq and Kuwait. Iraq will need large revenues for rebuilding and might resort to aggression if it is frustrated in this endeavor by actions of the other Gulf oil-producing countries. Furthermore, the territory lost to Kuwait as a result of DESERT STORM and Iraq's undiminished desire for better access to Gulf waters are the foundation for future disputes. Grudging recognition of Kuwaiti sovereignty and continued press attacks on the Kuwaiti and Saudi regimes give the impression that Baghdad will reconcile with its neighbors and accept the status quo only as long as it suits Iraq's needs.

The readiness of the Iraqi armed forces is sufficient to pose a serious threat to Kuwait and a lesser, but significant, threat to Saudi Arabia. Iraq retains a large, professional army that dwarfs those of its neighbors to the south. Despite shortcomings, Iraq has the capability to seize Kuwait and threaten some Saudi territory--in the absence of Coalition intervention. Some problem areas for the Iraqi military, such as morale and basic supply shortages, will be alleviated quickly if international economic sanctions are eased.

**Question 7: Please describe the Cuban military's current capability. Is Cuba in any way a militarily strategic threat to the United States?**

**Answer:** Cuba's economic crisis has reduced its military to a strictly defensive force with a capability now comparable to or below that of South American countries. The armed forces have declined in size by 50 percent since 1989 to 60-80,000 regular personnel, and they are unable logistically to support overseas deployments. Approximately half of the active duty force is devoted at any one time to business and productive activities that finance the armed forces budget, feed the troops, and help support the national economy. An additional 70,000 soldiers are devoted full-time to supporting the civilian economy and receive only cursory infantry training. Morale is poor in the enlisted ranks, but is generally good among officers.

The navy and air force pose little to no threat to the Florida coast or other countries due to severe fuel and spare parts shortages and the non-operational status of most naval vessels and aircraft. Cuba's three submarines and at least 75 percent of its fighter aircraft appear non-operational. The Cuban army has been reduced to a primarily infantry force whose new recruits receive generally rudimentary training. Some 75 percent of major ground equipment has been stored.

Cuban military strategy and training focus on resisting a US invasion through the use of anti-air artillery, coastal mines, and irregular ground warfare. We judge that conventional Cuban forces would be unable to significantly hinder US forces, but they retain the ability to defend against exile attacks. Large amounts of stored military equipment, thousands of miles of tunnels, and civilians as well as soldiers trained in guerrilla warfare give the Cuban government the potential to significantly prolong a US ground invasion through unconventional means, particularly around Havana. However, the continued corrosion of stored weapons and minimal training for civilians and soldiers are progressively reducing Cuba's potential resistance capability.

Question 8: In your written testimony [p. 4], you state that you are "concerned about continuing tensions between Greece and Turkey, as reflected by last fall's crisis in the Aegean over territorial sea limits and each country's simultaneous military exercises. The Alliance is weakened by this persistent acrimony and we worry about a clash neither side wants growing out of an inadvertent incident during such exercises." In your opinion, are the tensions between Greece and Turkey such that a military confrontation is likely? Which side would you anticipate having the upper hand in the event of an armed conflict?

Answer: In November 1994, diplomatic and military tensions between Turkey and Greece increased significantly with the entry-into-force of the Law of the Sea (LOS) Treaty. Aggressive Greek and Turkish military exercises in the Aegean raised the potential of an inadvertent clash or a misinterpretation of one side's military activities by the other that might have spiralled out of control. Although the crisis passed, the underlying dispute remains unresolved. The Greeks will not relinquish their right to 12 nm sea limits (as allowed by LOS), even though they assert that they do not intend to extend to 12nm. The Turks have long and publicly maintained that a Greek extension of its territorial sea limits from the current 6 nm would be a cause for war.

Although we believe that Turkey and Greece will continue to try to avoid a full-blown military confrontation, which neither country wants, there are several issues between these two allies that will prevent any significant improvement in bilateral relations. These flashpoints include but are not limited to:

- The continued issue of Aegean territorial sea and air limits;
- Turkey's publicly declared belief that Athens is supporting the Kurdistan Workers' Party (PKK);
- The Aegean continental shelf and mineral rights dispute; and
- Cyprus.

Tensions will rise again this year when the Greek Parliament ratifies the LOS, possibly in late February or early March. Once the Turkish and Greek militaries begin exercising in the tight air and sea space of the Aegean in the spring, the risk of a clash will again increase unless solid confidence-building measures are then in place. It will be difficult, however, to bring Athens and Ankara into agreement. While it is unlikely hostilities will occur, the threat of an inadvertent clash will remain.

Question 9: In your prepared testimony [p. 9], you state that "...Aids is having a tremendous impact on the militaries of many third world militaries--whether that of a country in which we might be conducting a Peacekeeping Operation, or one that is participating with us in a multilateral operation. Moreover, in countries where HIV rate exceeds 50% in the military, the long term impact on both the military as an institution and the fabric of society could be devastating."

a) Please specify which countries' militaries are being most significantly impacted by AIDS (i.e., with a HIV rate in excess of 50%).

Answer: At this time we cannot provide such a listing at an unclassified level.

b) Please elaborate on how AIDS is impacting the military institutionally in these countries.

Answer: HIV and AIDS pose a strategic threat to affected militaries. The HIV pandemic has resulted in losses of skilled manpower and senior leadership among many world militaries. Frequent disruption of leadership through death and disability, including psychologic disability from HIV neurologic syndrome, has fostered unstable environments at senior staff and lower levels. The uncertainty generated by these conditions has resulted in despondency, loss of morale, and corruption imperiling internal national security and military readiness. Conscripts and other young social groups within militaries remain the highest risk groups for acquiring HIV infections: "mature" epidemics in Africa, for example, show that 60% of new infections are among 15-24 year olds. In militaries with currently high levels of HIV-infection, the script has already been written for disabling future shortages in career military manpower.

HIV/AIDS deflects to health care scarce resources that foreign countries otherwise would use for military preparedness. Education and prevention programs, and efforts to compensate for declining "military elite and intelligentsia" and "conscript" pools, place further drains on foreign military resources.

Ethnic and other social tensions within military organizations, as well as between multilateral forces, have worsened with HIV/AIDS. The presence of a disproportionate level of HIV infection or AIDS cases in only certain ethnic groups within a given security force fosters the perception of HIV being used as a terror weapon to control certain ethnic groups, or as a genocidal agent. The stigmas associated with possessing this sexually transmitted disease marginalize and further fragment affected societies, including military societies. Societies already have begun to castigate their own and foreign militaries as carriers of the disease, with problematic consequences for political and military alliances around the globe. Several instances have occurred wherein governments have stipulated that

foreign troops may not enter their countries if these forces are not certified as HIV-seronegative.

Movements of people owing to mobilization, civil conflict, and unrest, are recognized as the key to the spread of HIV. Those who are infected and fall ill return home, placing a double burden on the home-based force. Military planners must squarely face the realities of AIDS-related attrition during prolonged military activities.

Foreign governments confront several military-specific HIV/AIDS questions:

(1) Should HIV-positive persons be recruited into the military?

(2) What is the full impact on society of demobilization-- in addition to the special dangers created for the civilian population, can demobilized military personnel be used as a cadre of workers to promote HIV/AIDS prevention programs?

(3) Are there differences in access to medical treatment for military versus civilian populations, and, if so, should these differences be permitted to continue? Decisions here can profoundly affect ethnic and social tensions within the military, and the greater society.

(4) What is the appropriate role of the military if civilian strife emerges from the HIV/AIDS pandemic?

**c) What other infectious diseases are having a significant impact on foreign militaries and societies?**

**Answer:** HIV disease (i.e., all the attendant illnesses which occur as a consequence of HIV infection) is a protracted illness. The capacity of this pandemic to affect entire military and civilian societies stems from its slowly progressive course towards death for infected individuals. Currently, the reemerging pandemic of tuberculosis stands as the most significant comparable threat to societies and militaries worldwide. HIV multiplies the problems of tuberculosis for communities and militaries; tuberculosis complicates the management and course of HIV infection. Ninety-five percent of persons with dual infections live in the developing world. Worldwide, TB is the single most important bacterial (not viral as with HIV) pathogen, which accounts for one-quarter of avoidable deaths worldwide. One third of the world's population --1.7 billion people--are infected with Mycobacterium tuberculosis, the causative agent for TB disease. In the developing world, TB, as is HIV, is a disease of young adults. In early 1994, the Centers for Disease Control and Prevention (CDC&P) estimated that the proportion of TB patients worldwide

who are also HIV-infected will double from around 4.2% in 1990 to 8.4% in 1995 and rise further to 13.4% by the year 2000. By that time, some 1.4 million HIV-infected people will also be infected with TB, and one-half of the HIV-associated TB deaths will occur in Africa.

Tuberculosis can exponentially magnify the same effects currently seen in military and security forces from HIV. TB represents a greater military threat than HIV or AIDS alone because, unlike HIV, TB transmission does not require sexual contact, and TB thus can be transmitted easily throughout a military force. TB-infected individuals who are also infected with HIV progress to highly communicable active pulmonary TB much sooner - within 5 years of initial HIV infection. Without HIV coinfection, TB infected individuals frequently delay progression of their TB infection for 10 or more years.

The other infectious diseases which significantly impact military and civilian populations are gastrointestinal infections and malaria. To date, no significant relationship between HIV disease and malaria exists. Worldwide, there are currently 200-300 million cases and 1-2 million deaths per year from malaria. In the absence of preventive measures, such as drug prophylaxis and mosquito control measures, troops without previous exposure to malaria who deploy to malarious areas, run very high risks for severe illness and death. In many developing regions of the world conditions of poor personal hygiene, of inadequate food and water sanitation, and of indiscriminate waste disposal sustain high levels of infectious agents that cause gastrointestinal diseases. Affected foreign countries suffer considerably from gastrointestinal deaths and illnesses among their children and their adult work force, undercutting economic and political gains. Militarily, high malaria or gastrointestinal attack rates within a deployed force have historically disrupted military operations. However, unlike HIV, effective measures currently exist to treat and/or prevent both gastrointestinal and malarial diseases.

Question 10: Former DCI Robert Gates has stated that the CIA should be smaller and that all military analysis, with the exception of Weapons of Mass Destruction, should be assigned exclusively to the Defense Intelligence Agency. What capability does the CIA currently have to analyze conventional military weapons and orders of battle? What is the capability of the DIA to do this? What would be the impact if DIA alone analyzed the conventional military threat?

Answer: CIA makes a significant contribution to the analysis of conventional military capabilities and orders of battle. This mission is accomplished primarily by DIA and the Service and Command intelligence centers and remains a central purpose of the military intelligence production community. CIA produces no automated databases (e.g., orders of battle, military installation/facility files) on conventional military forces/weapons. CIA-produced databases involve unique foreign special weapon capabilities and applications. These have value for operating commands; however, timely access by warfighters may be hampered by sanitization requirements and by the lack of automated distribution channels. Considerable hardware/software and security modifications would be required to automate these databases and adapt them for interactive access with the operating commands.

DIA and the centers produce--and are disseminating to military commands on an increasing worldwide basis through interactive networks, such as INTELINK and JWICS--key military capabilities assessments that can be tailored on a real-time basis to provide battlefield commanders the specific perspective required on adversary capabilities in areas such as tactics, doctrine, strategy; conventional and special weapons/forces employment, unique advantages special forces and weapons provide, overall force limitations, and exploitable centers of gravity.

DIA, in its shared production program with the Service and Command intelligence centers, maintains automated, worldwide interactive databases on order of battle, military installations and facilities, weapon systems, and other key issues that directly support the warfighting commands. DIA receives essential analytic and production support from the Service and Command intelligence centers and indispensable support from CIA's unique collection and substantial imagery exploitation efforts.

The context in which to understand the differences between DIA and CIA focus and capabilities follows:

- The defense intelligence community's mission; the experience, training, and skills of its analysts; and its organizational relationships uniquely qualify it to analyze foreign conventional weapons and forces.
- Mission. Producing all-source, finished military intelligence that supports the battlefield commander

and the weapon acquisition community has been and continues to be a principal mission of the defense intelligence community.

- Analyst Experience/Training/Skills. Our ability to conduct the full range of military analysis is undergirded by a solid core of current and former military personnel assigned as analysts; by the continuing military-related training our analysts receive; and by the current and programmed databases and interactive, automated systems that support the collection, analysis, production, and dissemination of military intelligence. These analysts, databases, and systems are foundational to accurately analyzing and cataloguing weapon/force capabilities and to developing orders of battle. In turn, these detailed data underpin our military analyses, which are tailored to provide the battlefield commander the required specific perspective on an adversary's broader capabilities.

- Organizational Relationships. Defense intelligence community members are uniquely positioned at all commands and levels to work on a close, daily basis with military operations specialists and planners. This ensures a continuing, direct dialogue in which operational requirements and intelligence capabilities are juxtaposed. This process is key to timely and accurate identification, prioritization, and fulfillment of intelligence collection, system support, and production requirements that support the battlefield commander.

Impact of DIA "Going It Alone." DIA resources and capabilities alone are insufficient to tackle the increasing numbers and complexities of traditional and non-traditional support requirements levied on military analysts:

- Shared Production Essential. DIA relies heavily on the Service and Command intelligence centers for vital analytic/production assistance. In its leadership role within the defense intelligence community, DIA is managing a shared intelligence production program that leverages skills, missions, and key production requirements among intelligence producers within DIA, the Services, and the Commands. This program is designed to focus analytic efforts, with particular emphasis on database production and maintenance; to eliminate duplication of effort among intelligence organizations; and to better support the operating forces with timely, tailored military intelligence.

- Indispensable CIA Support: CIA does not produce databases that support operating commands; holdings on conventional military capabilities are provided by DIA.

φ CIA- produced databases and military-related analysis center on unique foreign special weapon capabilities and applications, which CIA shares with DIA. Considerable system and security modifications would be required to adapt CIA databases for external use. In addition, timely availability of CIA's broader analysis may be hampered by sanitization requirements and the lack of an automated distribution system. CIA, however, provides indispensable support to defense intelligence community analysis of military capabilities, particularly those related to foreign weapon acquisition and to database production and maintenance, through its unique collection capabilities and substantial imagery exploitation resources. Centralization within DIA or the defense intelligence community at-large of the conventional military analysis "mission" could reduce CIA collection and imagery exploitation of military-related intelligence, which would seriously attenuate the quality of DIA and defense intelligence community analysis.

**Question 11:** How has the readiness (responsiveness and utility) of the Intelligence Community's systems and organizations been improved to meet the needs of the changed military threat? What roles and missions have changed? What intelligence functions, programs, organizations and/or operations have been consolidated to improve the efficiency and effectiveness of defense intelligence in the last year?

**Answer:** Defense intelligence exists to support the warfighter's intelligence requirements and therefore follows defense's lead. With the advent of the Chairman of the Joint Chiefs of Staff's 1992 National Military Strategy, which laid out the "base force" concept and the need to respond rapidly to regional crises and component force intelligence requirements, the defense intelligence community immediately began the process of formally reevaluating their structure and organization. This defense intelligence review was founded on four key premises:

- The new threat environment.
- Severe resource constraints.
- Changes in military force structures.
- The need to ensure sufficient intelligence capabilities for joint forces.

The cornerstone of the military intelligence review was called the Joint Intelligence Center (JIC) Study. This study took a detailed look at defense intelligence production centers, warfighter intelligence requirements, defense intelligence worldwide structure, current and future resource allocation/reallocation and optimal resource reduction. The study sought to maximize the employment of dramatically reduced military intelligence resources in a fiscally constrained environment by eliminating duplication and consolidating similar defense intelligence efforts.

As a direct result of this watershed study, the military intelligence community initiated in 1992 a revolutionary reorganization, restructuring and reallocation/reduction of defense intelligence resources. In order to accomplish this dramatic change and still meet an ever growing number of CINC intelligence requirements, defense intelligence reorganized functionally throughout the community into three primary areas, intelligence production, intelligence collection and intelligence infrastructure. In this manner intelligence production, collection and infrastructure efforts of the Unified Commands, Services and Combat Support Agencies were centralized at each level.

In addition, defense intelligence increased the role of the Unified Commands in articulating their intelligence requirements in support of a Joint Task Force (JTF) in charge of a specific

crisis, contingency or mission. More and more it is the CINCs that define their operational intelligence requirements and the Services and Agencies that work to meet those requirements in a respective functional area.

This functional focus in the intelligence community led to the establishment of two new Intelligence Agencies chartered to coordinate, oversee and execute in their respective functional areas of intelligence imagery and aerial reconnaissance. The Central Imagery Office (CIO) is responsible for the creation of an integrated imagery architecture plan and investment strategy targeted on the timely dissemination of intelligence imagery to both the policy maker and the warfighter. The Defense Airborne Reconnaissance Office (DARO) is responsible for the development and acquisition of both manned and unmanned aerial reconnaissance and surveillance capabilities, in support of national and tactical intelligence requirements.

Of primary focus in Defense Intelligence is ensuring that quality tailored intelligence produced from the national to the tactical level is disseminated to the Warfighter at every echelon in a timely effective manner. Under the C4I for the Warrior banner, intelligence is being provided by both the "push" and "pull" methodologies. A combination of enhanced long haul communications capabilities (Joint Worldwide Intelligence Communications System -JWICS); deployable, full functionality intelligence analysis and production workstations (Joint Deployable Intelligence Support System - JDISS); accepted standards for interoperability of intelligence information systems; and new production and presentation techniques (INTELINK) ensures the best possible systems support.

The following listing illustrates the major FY 91-96 organizational consolidations and changes which are a direct result of the JIC Study implementation:

SVC/CIA/NSA Reps		
MSIC		NMJIC
AFMIC	=	
GMI Basic Intel		DIA/NMIPC
S&T Intel		
FSTC	=	NGIC
ITAC		
ONI Resources		
NAVMIC		NMIC
NIAC	=	(MCIA/CG)
NIC		
TF 168		

FASTC  
480 AIG  
497 INA (AFISA)

=

NAIC

USUECOM J2  
480 AIG (25)  
JAC  
SSS  
EUDAC (JIC-E)  
66 MI BDE (JMISE)  
USAREUR  
7454 AIS  
7450 AIS  
497 RTG  
NAVEUR N2  
FOBIC LONDON  
FOSIF ROTA

=

EUCOM J2  
JAC FOSIF ROTA

SOUTHCOM J2  
INTERIM JIC  
470 MI BDE  
480 AIG (25)

=

SOUTHCOM J2/JIC

PACOM J2  
IPAC  
FICPAC  
1854 COMM SQ  
548 RTG  
FOSIF WESTPAC  
FOSIC PAC

=

PACOM J2  
PACOM JICPAC

## FY 91-96 CONSOLIDATION (CONT'D)

LANTCOM J2  
FICEURLANT  
FOSICLANT  
LANTDAC  
LANTFAST (TF 198.2)  
LANT IDHS  
480 AIG (25)

=

ACOM J2  
ACOM AIC

FORSCOM J2\*  
FORSCOM FIC\*  
FAISA\*

\* JIC disestablished IAW UCP  
change 1 Oct 93 when FORSCOM  
became Army component for ACOM

NORAD/USSPACECOM J2  
NORAD/USSPACECOM CIC

USARSPACE = NORAD/USSPACECOM J2  
AFSPACECOM = NORAD/USSPACECOM CIC  
NAVSPACECOM  
544 SIW (100)

SOCOM JIC =  
SOCOM J2 = SOCOM J2/JIC  
AFSOC

AMC/IN =  
JTIC = TRANSCOM J2/JIC  
TRANS J2

SAC/IN =  
544 SIW = STRATCOM J2/JIC  
JSTPS

CENTCOM J2 =  
513 MI BDE = CENTCOM J2/JIC  
480 AIG (25)

Question 12: This is the information age. Absent from your statement is any reference to the foreign electronic threat or the use of the "information weapon" our enemies have to destroy our military communications pathways and computer databases. Is there an increased electronic threat to our military forces? What capabilities are you devoting to the electronic threat?

Answer: The electronic threat to military forces has increased significantly, especially over the past decade. The US military, like the US society as a whole, is dependent on information and telecommunications networks. This is reflected in the JCS initiative called "C4I for the Warrior", and Service plans to support Joint Task Force and coalition operations from sustaining bases in CONUS, Europe and the Pacific. Extensive threat studies have also been performed to attempt to ensure the effective operation of these networks in a hostile electronic environment. As a direct result, there is a growing awareness of "information warfare."

During the past five years numerous instances of intrusions into DoD and other US information networks have been reported. These DoD and commercial networks are essential to supporting war fighters.

DIA was an early leader within the Intelligence Community (IC) in identifying the threat potential of these information and telecommunications network intrusions. DIA initiated Service Center intelligence production, and several studies have been produced. Additionally, DIA is very actively involved in an effort to develop an Intelligence Community Assessment on Information Warfare based threats. Finally, DIA is very actively involved in developing awareness of these types of threats and has provided a series of briefings at both the For Official Use Only and classified levels in order to bring this threat awareness to both industry and government agencies.

Question 13: The Committee has a continuing interest in having available reliable data on conventional arms transfers to the developing world and globally. We have found reports such as the annual Congressional Research Service (CRS) report on Conventional Arms Transfers to the Third World to be valuable as a timely, detailed, authoritative unclassified source on such arms transfers. We appreciate the assistance DIA has provided in the past in developing data for such reports, and ask that this support continue unabated in the future. In addition to this annual CRS report, the Committee may choose to explore additional arms transfer subjects that may require assistance from DIA in development of data for official Congressional reports. May we look forward to such cooperation and support?

Answer: The Defense Intelligence Agency will continue to support the Congress regarding conventional arms trade issues.

Question 14: What are the most recent major trends you have identified in conventional arms transfers with respect to sales to the Middle East from major suppliers, to China by Russia, and by all suppliers to Iran? What specific major conventional weapons systems have been transferred from Russia to Iran and to China? To Iran from North Korea, and to Iran from other key suppliers?

Answer: For 1994 we estimate the value of foreign arms deliveries to the Middle East at slightly less than \$5 billion, or less than one half the total estimated for 1991. Saudi Arabia accounts for about three-fourths of the 1994 value to the region.

China has become Russia's main arms client since the breakup of the former Soviet Union. Last year new contracts totalled over \$2 billion and included additional SU-27 fighters, SA-10s and Kilo submarines. Russian deliveries to China last year were restricted to transport aircraft and helicopters.

Deliveries to Iran have dropped dramatically since the beginning of the decade and totalled less than \$300 million last year. Most of this was provided by China and Russia. In 1994 Iran received a small number of main battle tanks and air-to-air missiles from Russia. Iran also received SCUD launchers from North Korea, and patrol boats from China.



United States Department of State

Washington, D.C. 20520

March 10, 1995

Dear Mr. Chairman:

Following the January 26, 1995, hearing at which Assistant Secretary Tobi T. Gati testified, additional questions were submitted for the record. Please find enclosed the responses to those questions.

If we can be of further assistance to you, please do not hesitate to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Wendy R. Sherman".

Wendy R. Sherman  
Assistant Secretary  
Legislative Affairs

Enclosures:  
As stated.

The Honorable  
J. Robert Kerrey, Vice Chairman,  
Select Committee on Intelligence,  
United States Senate.

UNCLASSIFIED1) Prospects for Afghanistan's Stability

Q. In your testimony (p. 12), you state that "Afghanistan's political instability has spilled over into neighboring states, producing regional tensions that provide a fertile ground for Islamic extremism and narcotics trafficking." What are the prospects that the regime in Kabul will be able to bring stability to Afghanistan in the short term?

A: The appearance near Kabul in mid-February of an Islamist student militia known as the Taliban has changed the correlation of forces in the Afghan capital. The Taliban are demanding that the military groups holding Kabul disarm and turn the city over to them; their goal is to "liberate" Kabul from the veteran mujahidin factions and install an Islamic government. Nominal President Rabbani, whose military allies hold most of the capital, has given no sign that he plans to vacate the city; Rabbani has delayed transferring power to an interim governing council. UN Special Envoy Mestiri's current efforts to fashion an interim mechanism acceptable to all and effect the transfer of power by March 21 remains jeopardized by unresolved conflicts among the various aspirants to power, including the Taliban.

Although the Afghan faction leaders had recently seemed more amenable to a peace process than they had for more than a year, jockeying for power among the major antagonistic actors remains a hurdle to establishing a legitimate government and achieving stability in Afghanistan. Renewed fighting since March 6 signifies the failure of recent inter-factional negotiations and raises additional doubts about the likelihood of a peaceful transfer of power leading to more stable governing arrangements.

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UNCLASSIFIED2) Iran's Nuclear Weapon Capability

Q: On January 5, the New York Times carried an article citing senior American and Israeli officials as stating that Iran is less than five years away from having an atomic bomb. Is this report accurate? What is the current status of Iran's nuclear weapon program? What kind of assistance is Russia providing to Iran's nuclear weapon program?

A: Judgments about how long it will take a country to develop a nuclear bomb hinge on several variables and are difficult to make with precision. In the past, the US intelligence community has stated that Iran would need at least eight to ten years; access to foreign assistance could reduce this time by months or years, depending on the nature of the assistance. The IC is currently updating its assessment to take account of information received since the last estimate. It is too early in the process to characterize what the conclusions will be.

On January 8, 1995, Russia signed a contract to construct a Russian-designed 1,000 MW nuclear power reactor for Iran at Bushehr, the site of two German-supplied reactors that were never completed. Russia is also cooperating with Iran on other civilian nuclear projects. This assistance, while not directly applicable to nuclear weapons development, will further Iran's basic nuclear infrastructure but should not significantly shorten the time needed by Iran to develop a nuclear weapons capability. Iran could also attempt to use the acquisition of these power reactors as cover to obtain sensitive nuclear technologies critical for producing fissile material, such as uranium enrichment and spent fuel reprocessing.

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UNCLASSIFIED3) Saddam's Hold on Power

Q: What are the prospects for the survival of Saddam's regime for another year? What would be the characteristics and policies of likely successors to Saddam? Given the current fighting between Kurdish factions in northern Iraq at present, what are the prospects for Kurdish reintegration into Iraq after Saddam?

A: Despite indications that Saddam Hussein is increasingly concerned about the internal situation in Iraq, he is likely to retain power for another year. One of the perverse strengths of Saddam's regime is that he has involved many supporters in his numerous crimes against the Iraqi people. These individuals and groups fear for their lives and futures if he were to disappear from the scene; they have a strong stake in his survival. Economic austerity and resultant decay of law and order have increased pressures on the regime and may have been a factor in Saddam's effort to threaten Kuwait again last October. Saddam would be substantially strengthened by an early relaxation of UN Security Council-mandated sanctions, since they would ease the worsening economic situation he faces.

Saddam has not designated an heir and, in any event, whomever he personally chooses would probably disappear with him or shortly thereafter. INR believes the most likely successor would come from Iraq's armed forces. It is conceivable that a successor regime might seek to reestablish Iraq's position as a responsible player in international political and economic affairs, but this is not certain. This would mean accepting the obligations which the United Nations imposed during and after his invasion and occupation of Kuwait, including no longer

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threatening Iraq's neighbors and ceasing to oppress its own citizens. If Saddam Hussein's regime were swept away and a successor accepted these conditions, there could be significant improvement in Iraqi behavior. In any case, during the period of consolidation, we would not expect the kind of provocative behavior we saw last October.

There is no question that Kurdish infighting undercuts international efforts to maintain a safe haven for the Kurds and other ethnic and religious groups in northern Iraq; Baghdad itself has pointed this out. The Kurds, speaking for themselves and as members of the opposition Iraqi National Congress, have made clear their hopes for a secure autonomy within a stable and unified Iraq. Turkey and Iran will continue to oppose Iraqi Kurd efforts to gain autonomy, preferring that they accept a return to control from Baghdad.

A new regime in Baghdad and the Kurds could reach out to one another in order to reestablish security throughout Iraq and undertake reconstruction of its economy. At the same time, the Kurds have had their differences with every regime in Baghdad since the monarchy was overthrown in 1958. Tough negotiations will be required to find a long-term solution acceptable to both sides, and a return to on-again-off again clashes between Kurdish elements and Baghdad could not be ruled out.

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A successor regime that is willing to respect the autonomy arrangements worked out with the Kurds in the mid-1970s but never fully implemented might be able to find a basis for accommodation.

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UNCLASSIFIED4) Qadhafi's Hold on Power in Libya

Q: In October 1993, Muammar Qadhafi successfully thwarted a major coup attempt against him. What is your current assessment of Qadhafi's hold on power in Libya and the prospects that he will still be power one year from now?

A: Libyan leader Qadhafi appears firmly entrenched in power despite continuing reports of anti-regime unrest. He faces no significant organized opposition at this time. There have been numerous reports of problems within the military and with rival tribes. But Qadhafi's reliance on brutal repression tempered with selective cooptation continues to serve him well, and we have no reason to believe that Qadhafi's rule is seriously threatened. As such, prospects are very good that he will still be in power one year from now.

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5) The Risks of Collecting Economic Intelligence

Q. How do you balance the benefits that come from collecting intelligence on economic issues against the risk that such collection--or even the mere allegation of it--could prompt other countries to retaliate by increasing their defense measures, by spying in turn on US companies, or by becoming anti-American in policy discussions? Has it been your job to weigh those equities, or does the National Security Council do that? How regularly are these concerns weighed?

A. Intelligence activities that fall under the heading of "economic issues" range from those with immediate national security implications such as sanctions, export controls, and illicit business practices to more general topics such as following economic reform in newly emerging economies and economic trends.

In monitoring such activities we draw on all available sources of information and intelligence. Some issues will require that we seek out highly specific intelligence. But there is a general trend towards greater availability of open source information on a wide range of economic issues. This is clearly true in the case of formerly closed economies now entering the global system. Whereas before almost no reliable information was available publicly, today such information is routinely compiled and reported by host governments, international institutions, and the press. The information age will make readily available vast data bases of detailed and reliable information on economic activities. Our challenge is to absorb open source and diplomatic reporting, and to add to it information that can only be gathered clandestinely. --

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The benefits of collection from various sources of intelligence and information are issue and country specific. Decisions on the trade-offs are also made regularly by our ambassadors around the world, who are in a good position to assess both the risks and the benefits of collection. This requires that the process of consultation on strategies for gathering intelligence on economic issues be an inclusive one. We have also been working closely with the DCI's Economic Intelligence Advisory Panel to examine these and related issues.

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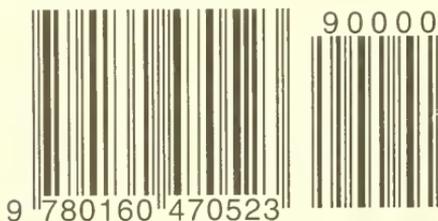
UNCLASSIFIED6) Possibility of Continued Terrorism by the PLO

Q. Is there any evidence suggesting that the PLO is still involved in terrorist activities?

A. There is no reliable evidence that the PLO or the Palestinian Authority (PA) is involved in terrorist activities. The Popular Front for Liberation of Palestine and the Democratic Front for Liberation of Palestine (PFLP and DFLP), which both continue to engage in anti-Israeli attacks, suspended their PLO membership in 1993 to protest the signing of the Gaza-Jericho accord.

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