

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

The way American intelligence works, both the details of its structure and the dynamics of the relationships, tend to be poorly understood even by many who have spent time in its midst. The changes I will describe, although they do not create or eliminate large organizations, together represent revolutionary change of great consequence in the way things really work.

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

It is worth taking just a moment to make clear why we are here. It is because the world has turned upside down. Today even the most hard-eyed realist must see a world transformed.

On the eve of a new century, of a new millennium, we see a world where, as never before, people are demanding -- and making progress toward -- peace, democracy and an economic system that works. The Soviet Union has disappeared. The Cold War is over. The major military threat to the United States has receded dramatically. Many regional conflicts are coming to an end. Where a decade ago 90% of the peoples of Latin America lived under authoritarian governments, now more than 90% live under governments that are democratically elected. Apartheid is being dismantled in South Africa; peace talks, however difficult, are underway in the Middle East; Eastern Europe is liberated; Germany has been peacefully united; and the United Nations finally is playing the

role its founders envisioned. It is truly a time of revolutionary change, a time of great hope, promise and opportunity.

Yet, the opportunity is fragile ... and perhaps transitory. In places familiar and remote -- whether we like it or not -- problems and dangers all over the world will continue to engage America's attention: instability and the fragility of reform in the former Soviet Union; the proliferation of nuclear, chemical and biological weapons and the ballistic missiles to deliver them in more than 20 countries; the rearmament of Iran; the determination of Iraq to preserve its remaining capabilities and eventually to rearm; the danger of war -- nuclear war -- between India and Pakistan; civil war in Yugoslavia; the future course of China; peacemaking in Cambodia; terrorism; narcotics; nuclear weapons programs in North Korea; civil conflict in Haiti; nuclear programs in Iran and Algeria. And countless other developments of concern; crises or hot spots will come to our national doorstep.

History is not over. In many places, it simply has been frozen and now is thawing with a vengeance Americans ignore at their peril. The nationalist, ethnic, border and resource conflicts of a long ago

world have survived the ravages of 80 years of revolution and war to confront us again, often in new and more virulent forms.

There is no precedent in history for an Empire as vast as that of Russia or the Soviet Union imploding so suddenly. The demise of far smaller, far younger empires previously has shattered the peace, disturbed the social order and rearranged the international scene so fundamentally as to be grasped only by historians at decades' remove. The end of the Soviet Union, the end of the thousand year old Russian and Soviet Empire, the end of the decades long super power struggle and of the cold war -- these are cataclysmic events in history -- and to think that they will quietly pass from the world stage without further troubling us is to be oblivious to history and naive in the extreme.

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

But our changes should be evolutionary, conforming to the reality of an unstable,

unpredictable, dangerously overarmed and still transforming world. Not yet the world of our hopes and dreams. Moreover, as our military capability shrinks, we had best be cautious about too quickly weakening our early warning capability -- our intelligence capability -- what the President has called the nation's "first line of defense."

We must avoid the costly mistake of 1919, 1945, 1953 and 1975 in thinking that we can disengage from the world or that we can or should quickly disarm ourselves or weaken our national security institutions. We must not let our hopes overshadow our judgment, good sense and historical realism. The world I describe is a reality, not a phantom conjured up to justify the existence of our Intelligence Community or our budget.

All historical experience suggests to us that, while revolutionary upheavals we have seen and experienced have succeeded from breaking us loose from the past, the shape of the future is far from established. We must expect continuing radical change and upheaval around the world -- at times promising, at times frightening -- before the forms and patterns of a new era settle into place.

As we restructure the Intelligence Community we must bear in mind the changes that have taken place, but also the uncertainties and dangers old and new that still confront us. And in a world of such turbulence, I believe that our approach to restructuring must be guided fundamentally by the need to preserve flexibility. In a world as fast changing as what we have seen in the last three or four years, our ability quickly to adjust structurally, as well as reallocate resources, must be preserved and even enhanced.

My presentation to you today is in three parts: First, in this public session, a presentation of changes in structure and process in both CIA and the Intelligence Community as well as some general observations about priorities and budget. Second, in the closed session, I will describe the results of National Security Review 29 on intelligence priorities and requirements to the year 2005, and, third, I will review the budgetary implications of those changed priorities.

This process began last November three days after I was sworn in as Director when the President signed National Security Review 29. This document, citing a world transformed, called for a top to bottom

examination of the mission, role and priorities of the Intelligence Community. The President directed some 20 policy agencies and departments to identify their anticipated intelligence information and support needs out to the year 2005. He asked that this review go beyond traditional areas of interest and include global problems such as international aspects of the environment, natural resource scarcities, global health problems and economic intelligence.

While the results of the NSR-29 process are classified, and I will discuss them in greater detail in closed session, let me briefly summarize the results here:

- The Commonwealth of Independent States emerged as the region of greatest concern, particularly its internal political and economic developments, proliferation of weapons of mass destruction, and control of nuclear weapons.
  
- Also amongst the highest priorities were intelligence on the proliferation of nuclear, chemical, and biological weapons and the means to deliver them; narcotics; and terrorism.

- Financial and trade issues and technological developments that could adversely affect the US were considered of major importance.
  
- Policymakers identified new requirements relating to, among other things, environmental, natural resource and health issues, indicating that the Intelligence Community has a wider range of customers than ever with interests that extend beyond traditional national security concerns.

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

Let me briefly describe how we approached these changes. Beginning last November I appointed 14 task forces to identify where change was needed and to recommend the form of changes. This agenda was based on ideas for change from within the Intelligence



Community, from outside experts, from these two Committees, and from my own experience.

The task force approach ensured the widest possible participation in identification of problems and proposed solutions in both CIA and the Intelligence Community. Furthermore, all but three of the task force reports themselves were circulated broadly -- in the case of those involving CIA, all but one were made available to every employee in the Agency -- and I received many comments that had a significant impact on the decisions that I made and the recommendations that I made to the President.

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

Seven task forces were concerned with change inside CIA and focused on three areas: intelligence production and analysis, clandestine human intelligence, and three Agency-wide issues.

Three task forces discussed a broad range of issues relating to intelligence production and analysis. The first examined different forms of conveying intelligence and how to increase the value of intelligence provided to policymakers and made far-reaching recommendations:

- The categories of formal Directorate of Intelligence publications will be dramatically reduced and we will encourage a wide array of non-traditional or ad hoc products in support of policymakers.
- CIA analytical products will offer a greater discussion of alternative scenarios.
- Individual components within the Directorate of Intelligence will be given greater autonomy to respond directly to requests from policy agencies for information and analysis.
- A number of measures have been approved for enhancing contact between analysts and policy agencies and for ensuring that Agency analysis is responsive to policy needs.

-- The task force report also recommended, and I approved, measures to ensure that the Directorate of Intelligence not neglect basic research and data base building that is the foundation of our ability to respond promptly to a wide range of issues and problems.

A second task force addressed the issue of politicization -- the perception or reality of slanted analysis. While the task force concluded that this is not perceived as a pervasive problem (and that some of the charges of politicization stem from avoidable failures in review and coordination as well as poor manager to analyst communication), it also concluded that there is sufficient concern about this issue to warrant further action. To this end I approved all eleven task force recommendations, including:

-- A reaffirmation of my own commitment to analytic objectivity and integrity as a core Agency value, which I did in an unclassified speech to all Agency analysts on March 16th. We have provided the text to both Committees.

-- I've charged the Deputy Director for Intelligence to conduct a zero-based study

of management practices in the Directorate of Intelligence and that the performance appraisal of managers explicitly cite deficiencies relating to charges of politicization.

-- I've also directed the Deputy Director for Intelligence to institute practical measures to reduce layers of review, to encourage greater flexibility and variety in format, and to encourage debate of substantive issues. The DDI has formed a Task Force to study the Directorate's review and coordination process and finally the DDI himself will reserve his own substantive review to sensitive products intended for only the highest level consumers.

-- The Directorate of Intelligence will provide for the inclusion of alternative views in products, establish procedures to deal with allegations of politicization. The DDI has appointed an ombudsman to serve as an independent, informal counselor for those with complaints about politicization. The IG will also be expected to inquire about issues regarding politicization in the

course of Directorate of Intelligence-  
component inspections.

-- We will also develop guidelines to ensure that all intelligence analysis and briefings are insulated from the influence of those with responsibility for implementing covert action.

-- Finally, it is clear that inadequate communication between managers and analysts contributed importantly to the perception of politicization. I have directed that managers take the time to discuss with analysts reasons for changes in drafts but equally important on the need for all involved in the process to deal with one another with professional respect, civility and collegiality. A sense of collegial regard, shared responsibility and open dialogue will help prevent misunderstanding and misperception.

The third task force addressed future methods of communicating with policymakers. I have concluded that the electronic dissemination of our finished analytical products to policy users is imperative.

CIA will move forward on this project but we will do so in a way that is affordable and that will ensure that when the time comes for us to approach the policy community with this capability we can deliver it readily, at relatively low cost, and with the bugs worked out of the system. We will begin with a working prototype at CIA.

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

A fifth task force addressed improving Agency handling of information it obtains concerning possible violations of law. This traced back, in part, to the Agency's handling of information that came to it about BCCI and the International Signals Control Corporation. As a result of this task force I've directed the following changes inside CIA.

-- We've undertaken an aggressive effort to inform employees of their obligations to report possible criminal activity. A number of crimes reporting training courses are being prepared by our General Counsel and

Office of Training and Education. The first courses already have taken place.

-- Each major component within the Agency has designated a responsible officer to facilitate crimes reporting by Agency employees and each of the four directorates have prepared their own procedures for crimes reporting.

-- We are working with the Department of Justice to compile a dissemination list of agencies which should receive various types of reporting.

The sixth task force concerned problems of internal communication within CIA. Compartmentation and secrecy, so essential to the effectiveness of an intelligence service, over the years have inhibited the flow of information to CIA employees about decisions being considered by senior managers and often what those decisions are once made. Moreover, the task force concluded that not enough had been done to create an environment in which employees are encouraged to offer their own ideas and views on the management of the Agency. Based on the

recommendations of the task force the following actions have been taken:

- A new organization has been created to promote two way communication throughout the Agency and to develop mechanisms for such communication on an Agency wide basis as well as within specific components. The Director of this office will be a member of the Agency's Executive Committee and is specifically charged to be an advocate for sharing with employees information on issues under consideration by management.
  
- Furthermore, our managers' annual evaluations will address their effectiveness in creating an environment in which our employees are encouraged to offer their own views.

The seventh task force addressed CIA openness. It concluded that in today's world CIA had to be more forthcoming in public about its mission and roles, the intelligence process and to the extent possible the way we go about our business. The actions flowing from this task force include:



-- We will provide more background briefings to the media; make available senior officials of CIA to discuss on the record information about CIA and the intelligence process; publish unclassified or declassified articles from our professional journal Studies in Intelligence; and provide additional unclassified information on the Agency, its history, mission, function, and role for the media, schools, civic groups, and other organizations.

-- With respect to academia, we will expand our scholar in residence program, and strengthen our outreach program to universities.

-- Perhaps most significantly, we have dramatically changed our approach to historical declassification. A new unit is being formed for historical review of documents for declassification. We will review for declassification all documents over 30 years old, and all National Intelligence Estimates on the former Soviet Union ten years old or older. We will attach priority focus on events of particular interest to historians from the

late 1940s to the early 1960s, beginning with the JFK papers and the Bay of Pigs.

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

Now let me turn to the Intelligence Community. The changes that I will outline to you for the Intelligence Community are intended to address problems familiar to you. Indeed, what is striking about the legislation to restructure the Community is that we clearly have a common perception that there is a need for change, and to a large degree, we have a common view of the specific areas in which change is most needed. I can assure you that some of my recommendations to the President were shaped by initiatives contained in your legislative proposals. In other cases, my recommendations went beyond what I had originally envisioned because of your proposals. All of my proposed changes have been approved by the President.

Before going to the specifics, let me underscore two underlying principles that shaped these changes. First, I have tried to preserve the decentralization of the Intelligence Community that I and others in the Executive Branch believe is essential to ensure responsiveness to the very diverse needs of the users of intelligence. At the same time, there is an effort to strengthen centralized coordination and management of the Community by the Director of Central Intelligence.

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

First, to strengthen centralized coordination and management, the Intelligence Community Staff will be abolished and replaced by a DCI Community Management Staff headed by an Executive Director for Community Affairs. I have appointed to this position Mr. Richard Haver, currently Assistant to the Secretary of Defense for Intelligence Policy. I will bring Mr. Haver and his staff to Langley.

He will have broad responsibilities for managing the Community in terms of both program and budget. I expect his staff to identify cross-program tradeoffs, establish divisions of labor, reduce unneeded or unwanted duplication of effort, evaluate competitive proposals for investment from the Community, and to look for efficiencies and cost savings.

This organization will at the highest level in the Community manage the overall intelligence requirements process to ensure coordination among the major collection disciplines and to evaluate performance in satisfying policymaker needs for information.

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

Second, we will strengthen an independent Community analytical and estimative capability. The

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

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

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

Finally, to underscore the importance of the NIC and its anticipated role, the Chairman of the

National Intelligence Council will become a voting member of the National Foreign Intelligence Council, the body which makes all resource allocations within the Intelligence Community.

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

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

As we in intelligence consider an increasing number of issues where the outcomes simply are not knowable, the Vice Chairman for Estimates will aggressively promote the use of Red Team - Blue Team

or A Team - B Team working groups producing separate drafts for consideration. It will be this Vice Chairman's responsibility to ensure that alternatives are considered and that a competitive, analytic process is structured for national intelligence estimates.

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

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

The National Intelligence Council over the years, from time to time has benefited from the appointment of non-governmental experts from either business or

the academic community as National Intelligence Officers or as members of the Analytical Staff. I intend that this occasional practice in the past should be pursued more aggressively and that the National Intelligence Council and its analytic cadre should have not only substantial representation from all of the agencies of the Intelligence Community but from non-governmental institutions as well.

I believe we can create in the NIC opportunities for scholars to come in on short term arrangements to provide estimate drafts or analysis, or for individuals from the private sector or the academe to serve as National Intelligence Officers for longer periods of time. I also believe that we should look also to non-governmental sectors for senior officers in the NIC. Many of the problems we will be addressing in the coming decade are those in which there is considerable expertise and insight outside of the government and we should seek to benefit from that in every way possible. Specifically, I will look to fill the position of Vice Chairman for Estimates with a prestigious person from outside government.

Third, we must strengthen the management, direction and coordination of intelligence



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

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

With respect to Human Intelligence, we have reached agreement to create a National Human Intelligence Tasking Center that will be managed by

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

For many years, intelligence analysts have drawn broadly on openly available sources of information, ranging from foreign newspapers and broadcasts to scientific and technical journals. Heretofore, however, in each Agency, there has been no way readily to know the holdings of other agencies, much less the ability electronically to share that information. Moreover, there has been no Intelligence Community requirements system that would guide the acquisition of openly available information.

Accordingly, for the first time, the Community has agreed to the appointment of an Open Source Coordinator who will report to the Executive Director for Intelligence Community Affairs. The Open Source Coordinator, with a small staff, will draw heavily on

task forces and working groups of senior line managers to remedy the three basic problems I have identified -- that is, to establish a catalog of the open source holdings of not only each agency but of the Community as a whole, to establish a comprehensive requirements system that will guide the acquisition of open source materials for the Community, and, over a longer period, establish the capacity to share this information broadly within the Intelligence Community. Another responsibility of the Open Source Coordinator will be to interact with the managers of the other collection disciplines to ensure that they are not collecting against requirements that can be satisfied through open source materials.

One of the most difficult areas for us to address was that of imagery. I appointed a task force comprised of people from the private sector as well as some formerly associated the intelligence and defense communities to examine how we might better organize our management of imagery. It is a critical capability but one that has been identified repeatedly in post-mortems of operation Desert Storm as one in which there were problems.

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

The task force, like the legislation proposed by the two Intelligence Committee Chairmen, concluded that we needed a National Imagery Agency. They would have built this agency around the Defense Mapping Agency and the National Photographic Interpretation Center.

We examined these recommendations in detail. Secretary Cheney, General Powell and I have talked at length about these recommendations. While some outside Defense and the Intelligence Community have strongly recommended going forward, there have been deep reservations within CIA, the Defense Mapping Agency, in the Military Services, and elsewhere about

proceeding quickly to the formation of a large, new agency and the danger that in doing so activities that are currently being performed well might be disrupted and damaged.

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

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

work on problems of standards, interoperability and strategic planning and budget.

At the same time, the three of us continue to examine more far-reaching changes and I would expect us to reach closure on this quite soon.

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

The fourth and final area of restructuring involves improved intelligence support to the military and to military contingencies. To this end, and in parallel to the proposal in both legislative initiatives, I have established the position of Associate Deputy Director for Operations for Military Affairs and an associated Office of Military Affairs in CIA. Thanks to the cooperation of Secretary Cheney and General Powell, this position has already been filled by Major General Roland Lajoie, United States Army. General Lajoie will be responsible, for improving CIA's support to military planning,

exercises and operations. More specifically, this Office will be responsible for coordinating military and CIA planning; strengthening the role of DCI representatives at the major commands and at the Pentagon; developing procedures so that CIA is regularly informed of military needs for intelligence support; developing plans for CIA support in national, theater and deployed joint intelligence centers during crises; and the availability of CIA officers for participation with the military on selected exercises.

I believe these steps, supplemented by additional budgetary changes designed to improve support for military contingencies, will address many of the shortcomings identified during and after the Gulf War, and will result in significant improvement in cooperation between CIA and the Department of Defense.

These four areas -- community management, community analysis, integrating the collection disciplines, and strengthening support to the military -- collectively represent a dramatic change in the way the Intelligence Community goes about its business. Some of these measures are being implemented immediately, others will take longer.

But we are beginning a process of change that I believe will gain momentum and spread to other areas as well.

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

I hope that as you reflect on these changes, you will do so against the backdrop of the changing and indeed revolutionary times in which we live. Except in the narrow area that I have identified for reprogramming resources within the NFIP, the



Administration believes legislation is unnecessary. Indeed, in a fast-changing world, I believe legislation would be unwise. We have responded substantially in nearly all of the areas identified in the proposed legislation as in need of change -- and yet we have done so in a way so that if in a year or so we determine that further adjustment is needed in these structures we can do so quickly and efficiently without the need to seek new statutory authority.

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

First, there is the impression that until now the entire focus of the Intelligence Community has been on the Soviet Union and with its demise we are now searching eagerly for new missions to occupy ourselves. The facts are as follows. In 1980, at the high point of our commitment of resources to the Cold War, 58% of the Intelligence Community's resources were dedicated against the Soviet Union. The remainder -- that is over 40% -- were on a range of issues that remain of significance today --

developments in the Third World, international arms sales, proliferation, terrorism, international economic issues, international strategic resources and a host of other issues. The 58% of our resources dedicated in 1980 to the Soviet Union by FY 1990 had dropped to 50%.

With the readjustments in budget approved by the President this week to accommodate new priorities, total resources in the Community dedicated to the Commonwealth of Independent States will drop to just 34%. In CIA, that figure will be less than 15%.

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

Second, there is the notion that the Intelligence Community has been sized to the Cold War and therefore must be significantly restructured and downsized. This too is not accurate. Between 1967 and 1980 the Intelligence Community lost 40% of its people and 50% of its money. By the end of the

1970s, the Congress concluded that intelligence had been cut too dramatically and began a rebuilding of US intelligence capabilities. That rebuilding was shaped far more by the failure of intelligence to predict the Iranian Revolution in 1979 than by any developments in the Cold War. As a result, the revived Intelligence Community of the 1980s focused investment on non-Soviet issues and on maximizing the flexibility of our large overhead systems -- a strategy that proved its worth in the Gulf War last year. Restoring our collection and analytical capabilities on the Third World was one of the primary areas of concentration.

In short, this is an Intelligence Community rebuilt and restructured in the 1980s by the Congress and the Administration with a far more diversified and challenging world in mind than simply the Cold War.

We will discuss budgetary specifics in the closed hearing, but I know that a number of you are convinced this intelligence budget must be cut. I understand that, but would point out as we begin this dialogue that we already have been cut, and deeply. We do not begin at the beginning. Based on our FY-90 budget submission and looking out five years, the

Intelligence Budget has already been cut by billions of dollars and by thousands of jobs.

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

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