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DCI/ICS 86-4271

18 March 1986

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence

FROM:   
Director, Intelligence Community Staff

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SUBJECT: DCI's Annual Report to the Congress

1. Attached for your approval are the final page proofs of your Annual Report to the Congress for 1985. Since your last review of the draft report, material has been added to the section on Major Issues and Challenges to cover the topics of "Survivability" and "Funding Constraints." You had approved these additions in principle before your TDY. A paragraph on HUMINT has also been added to "The Changing Intelligence Environment" and a paragraph on DoD counterintelligence and security has been worked into the "Security and Integrity..." section. (C)

2. Also attached for your signature are cover letters to forward the report to the President, the Vice President, and the appropriate Congressional Chairmen (six recipients). (U)

3. If you approve the report, we will proceed with final printing and distribution. (U)

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SUBJECT: DCI's Annual Report to the Congress

DISTRIBUTION: (DCI/ICS 86-4271 w/atts DCI/ICS 86-4268/A-H and )

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The Director of Central Intelligence

Washington, D.C. 20505

20 March 1986

The President  
The White House  
Washington, D.C. 20500

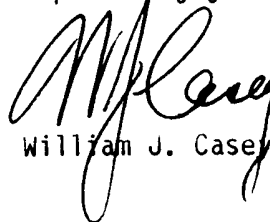
Dear Mr. President:

Enclosed is a copy of my Annual Report to the Congress on the Intelligence Community for calendar year 1985. This is the tenth such report prepared for Congress as required by Senate Resolution 400 and House Resolution 658. (U)

For the last two years I have used the occasion of the report as a means to discuss the progress that has been made in rebuilding intelligence capabilities. I have altered my emphasis slightly this year and focused on a set of intelligence issues and challenges, as well as on steps taken in anticipation of or response to significant events of the year. I did this because I believe it is imperative for the Congress to have a clear understanding of the difficult questions that face the Intelligence Community. (U)

Through its discussion of substantive issues and developments, the report provides a reasonable measure of our abilities, and implies a sense of the value that the nation receives from its intelligence activities. As I pointed out in my forwarding letter to the Congress, there is much that intelligence will be asked to do in the coming years, as the importance of informed decisionmaking rises in a period of fiscal constraints. The Community will also face very complex problems, however, and its continued effectiveness will depend on sustained resource support. (U)

Respectfully yours,



William J. Casey

Enclosure:  
As Stated

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The Director of Central Intelligence

Washington, D.C. 20505

20 March 1986

The Vice President  
The White House  
Washington, D.C. 20500

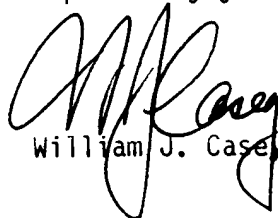
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William J. Casey

Enclosure:  
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The Director of Central Intelligence

Washington, D.C. 20505

20 March 1986

The Honorable Lee H. Hamilton, Chairman  
Permanent Select Committee on Intelligence  
House of Representatives  
Washington, D.C. 20515

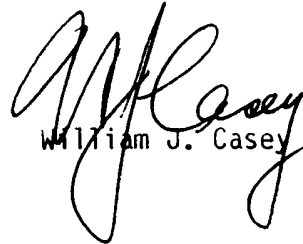
Dear Mr. Chairman:

Enclosed is a copy of my 1985 Annual Report to the Congress. The report provides a clear sense of the difficult issues and challenges that the Intelligence Community faces each day. It also surveys the events and developments that were of principal interest to the Community in 1985, and reviews the significant steps taken in anticipation or response. (U)

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In an environment of fiscal constraints, our strategy will be to preserve and enrich our existing capabilities. This means that hard choices must be made, and we will not be able to deal with the problems ahead without sustained resources. The continued support of the Congress will be essential if we are to continue to provide the best information possible to those who need it. (U)

Sincerely,

  
William J. Casey

Enclosure:   
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The Director of Central Intelligence

Washington, D.C. 20505

20 March 1986

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

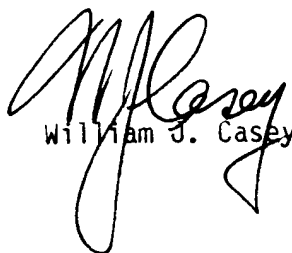
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William J. Casey

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The Director of Central Intelligence

Washington, D.C. 20505

20 March 1986

The Honorable Jamie Whitten, Chairman  
Committee on Appropriations  
House of Representatives  
Washington, D.C. 20515

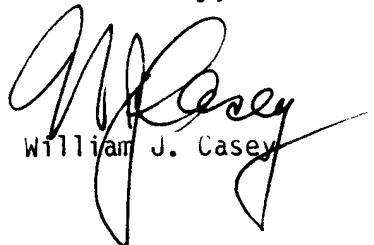
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William J. Casey

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As Stated



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The Director of Central Intelligence

Washington, D.C. 20505

20 March 1986

The Honorable Mark O. Hatfield, Chairman  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

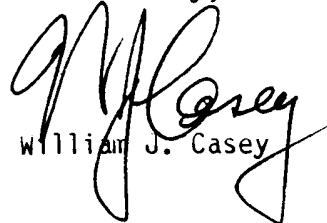
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William J. Casey

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The Director of Central Intelligence

Washington, D.C. 20505

20 March 1986

The Honorable Joseph P. Addabbo, Chairman  
Subcommittee on Defense  
Committee on Appropriations  
House of Representatives  
Washington, D.C. 20515

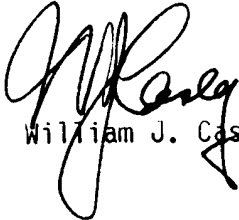
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Sincerely,

  
William J. Casey

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The Director of Central Intelligence

Washington, D.C. 20505

20 March 1986

The Honorable Ted Stevens, Chairman  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

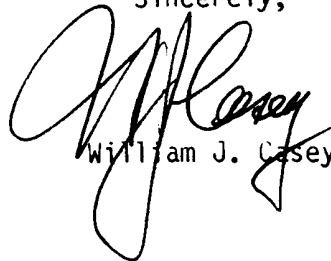
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Sincerely,



William J. Casey

Enclosure:  
As Stated

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**Director  
Intelligence Community Staff**  
Washington, D.C. 20505

DCI/ICS 86-4276/I

1 April 1986

MEMORANDUM FOR: Distribution

SUBJECT: DCI's Annual Report to the Congress

Attached is a copy of the DCI's Annual Report to the Congress on the Intelligence Community for calendar year 1985. Copies also are being sent to the President, Vice President, and the appropriate committees in both houses of Congress. (U)



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Attachment:  
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11	Secretary of Defense	I
12	Deputy Secretary of Defense	I
13	Deputy Under Secretary of Defense for Policy	I
14	Assistant Secretary of Defense (C <sup>3</sup> I)	I
15	Under Secretary of the Air Force	I
16	Chairman, JCS	I
17	Secretary of Treasury	I
18	Director, ACDA	I
19	Attorney General	I
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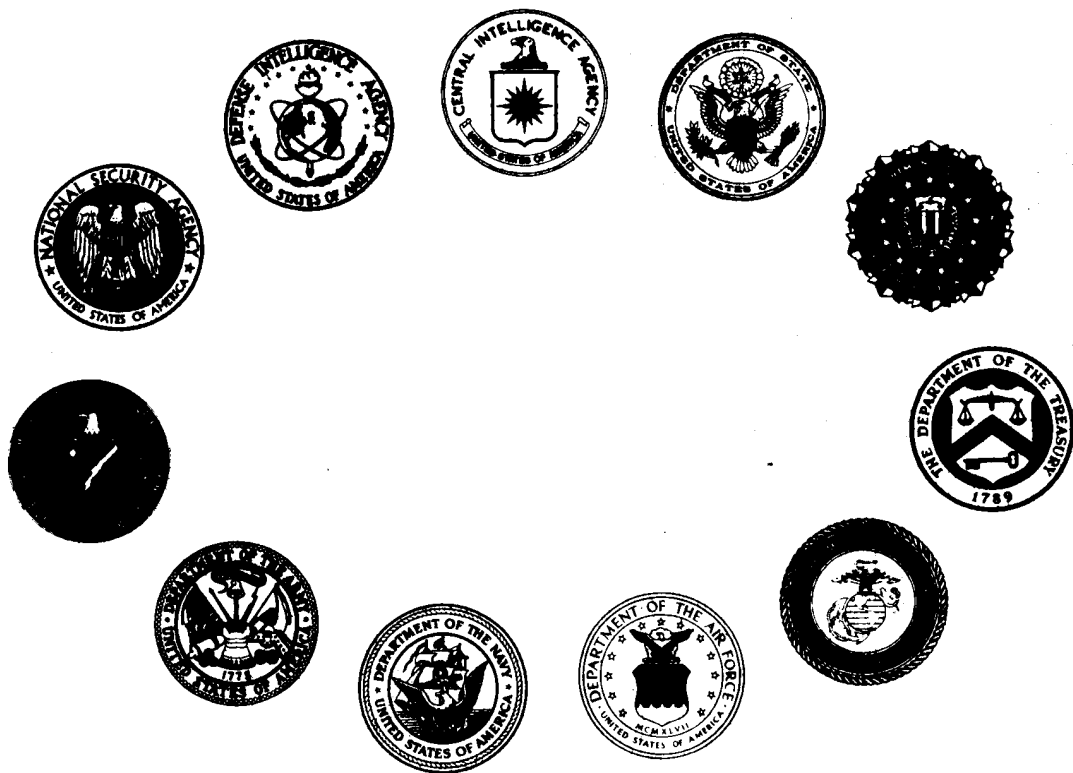


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# ANNUAL REPORT OF THE DIRECTOR OF CENTRAL INTELLIGENCE TO THE CONGRESS 1985



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March 1986

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**ANNUAL REPORT OF  
THE DIRECTOR OF CENTRAL INTELLIGENCE  
TO THE CONGRESS  
1985**

**William J. Casey  
Director of Central Intelligence**

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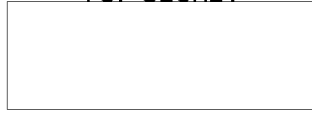
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### INTRODUCTION

This is my fifth annual report to the Congress as Director of Central Intelligence. In past years I have used this occasion as an opportunity to discuss the substantial progress that has been made in rebuilding intelligence capabilities, progress that has only been possible with the cooperation and strong support of the Congress. My focus in this year's report, however, is slightly different. I have chosen to accent the difficult issues and problems that face the Intelligence Community, and to highlight the intelligence response to those problems and to the significant events of the past year. By so doing I hope to provide as clear an understanding as possible of what the Intelligence Community is about. I also believe that the discussion conveys an implicit measure of our abilities and a sense of the value that the nation receives from its intelligence activities.

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The increased resources allotted to the Intelligence Community have been carefully applied and the advances enabled by them have been essential. Impetus and force have been restored to capabilities that had atrophied, and a balance has been sought to help prepare the way for the challenges of the future. The Community's ability to answer consumer requirements has been strengthened, and in consequence its responsiveness to most requirements has been outstanding. As I pointed out last year, however, many gaps remain and the rebuilding job is not yet complete, a judgment that is borne out by even an elementary understanding of the complex environment in which intelligence must operate in the coming years.

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The difficulty of meeting the future, though, has been compounded by the straitened fiscal and funding circumstances that lie ahead. The choices that must be made are not easy. To help define the road that we will be obliged to take, I have recently completed work on a National Foreign Intelligence Strategy, copies of which have been provided to the appropriate Committees of Congress. The Strategy is intended to supply the strategic guidance needed to impart direction and priorities to intelligence programs. Without a sound and stable financial base, however, even the best strategy for intelligence will be unable to assure our ability to meet our nation's intelligence needs. To secure that base, a heightened appreciation of the importance of intelligence to the achievement of national objectives is necessary. This report, I believe, provides the kind of comprehensive awareness that should lead to such an appreciation. When the nation has fewer resources to allocate, they must be allocated the more wisely. In great part that wisdom can be obtained through intelligence.

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The report is organized along the following lines:

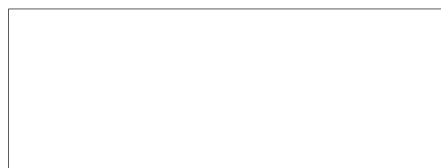
- A review of the significant events of 1985.
- A brief consideration of the demands on intelligence.
- A discussion of the intelligence response.
- A discussion of major issues and challenges.

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The Congressional Budget Justification Books, which have been forwarded separately, address the Community's resource needs and programs in greater detail.

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## SIGNIFICANT EVENTS OF 1985

Everyday, the Intelligence Community faces questions and problems that are posed in diverse contexts. World events, politics, personalities, economics, science and technology, military capabilities; these and other issues are all addressed in the effort to reduce uncertainty and meet the needs of decisionmakers. This section reviews the events of major interest to the United States during 1985 that had to be anticipated or responded to by the Intelligence Community; it illustrates both the scope and the complexity of the demands placed on the Community. [redacted]

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### THE SOVIET UNION

The accession of Mikhail Gorbachev was the most far-reaching event of the past year. A leader finally came to power in the Soviet Union whose tenure probably will be measured in years, not months. He has proven to be vigorous and imaginative on many fronts. Domestically, he has quickly consolidated his political base and taken various steps to revitalize an economy that has seriously weakened in recent years. He has sought to improve productivity by launching campaigns against alcoholism and lack of discipline in the work force, and corruption among government officials. The newest five-year plan calls for major new resource allocations directed at renovating Soviet industrial capacity and transforming the society through massive infusions of high technology. Gorbachev has also brought new style and vigor to Soviet foreign policies. No major Soviet foreign policy positions have basically changed, but he accelerated the dialogue with the United States begun under Chernenko and decided quickly on a summit with President Reagan. Meanwhile, Gorbachev has caused Soviet policy to play all the more to world opinion, to try to get the United States to compromise on the Strategic Defense Initiative (SDI), and to strongly support Marxist-Leninist and other clients in the Third World. [redacted]

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#### Strategic Weapons

In 1985, the Soviets began to deploy their first mobile ICBM, the road-mobile SS-25. This represents a major step in the Soviet program to replace by the mid-1990s almost all currently deployed intercontinental nuclear attack forces with new and improved systems. The Soviets also continued flight-testing of the SS-X-24 from its rail-mobile launcher and conducted follow-on programs for the SS-25, SS-X-24, and SS-18 ICBMs, all of which should have improved accuracy, greater throw weight potential, and possibly more warheads. [redacted]

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In strategic naval forces, the Soviets began initial deployment of the Delta IV submarine, which carries the new and unique SS-N-23 missile, and will soon begin testing of an improved version of the SS-N-20 SLBM. These programs, combined with the strategic cruise missile programs (SS-NX-21 and SS-NX-24), will eventually result in a significantly improved submarine-based strategic strike force. These weapons developments are of even greater importance as the Soviets have registered improvements in submarine quieting. This and other submarine modernization programs will

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eventually result in replacement of the entire MIRVed Soviet SLBM force and deployment of much better nuclear-powered ballistic missile submarines.



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In their air arm, the Soviets continued to make progress on the first major modernization since the 1960s of their heavy bomber force. With a new bomber and new land-attack cruise missiles, which are also in production, the Soviets will be able by the 1990s to increase substantially the number of warheads deliverable by aircraft.



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**Strategic Defense and Counter-SDI Weapons**

During 1985 the Soviets introduced a new air defense fighter (the FLANKER) and a more mobile version of the SA-10 strategic surface-to-air missile. They will soon put an Airborne Warning and Control System into operation, and they have made progress in developing the technology they need for their own stealth (low observable) offensive and defensive capabilities. In other activity, the Soviets worked to replace operational ABM defenses around Moscow and continued construction on the new Large Phased-Array Radar network, including the radar at Kransnoyarsk. We believe this radar is intended for ballistic missile detection and tracking, not primarily for space tracking as the Soviets contend. Construction was continued on two large facilities at Dushanbe and Storozhevaya which, among other possibilities, could be ground-based laser antisatellite systems.



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**Conventional Weapons**

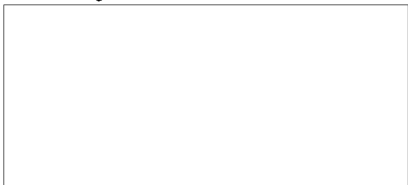
The Soviets remained attentive to their conventional forces. They continued to modernize their already formidable Central Front forces, supplying precision-guided munitions, improved mobility, and increased sustainability; launched the first of a new class of large aircraft carriers and two new kinds of attack submarines; and increased deployed forces at their overseas base at Cam Ranh, Vietnam. The continuing Soviet presence in Afghanistan provided a window into the effectiveness of the Soviet military.



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**EUROPE**

The selection of a dynamic new leader in Moscow raised both hopes and fears in Eastern Europe that the Soviets will attempt to assert control more vigorously there, pushing for more effective use of resources and for leadership changes. Gorbachev's accession to power also created concern in Western Europe that the image he is attempting to project of a man who understands and is sympathetic to that region's problems may succeed in driving new wedges between Western Europe and the United States. During the months prior to the November summit, Moscow made considerable effort to cultivate European support for its arms control policies, particularly its attempt to undermine the SDI. Nonetheless, by the end of the year the Soviets still had not overcome the effects of their failed war scare propaganda regarding intermediate nuclear forces (INF); and the Belgian Government, one of the major Soviet anti-INF targets, did not falter in its commitment to deploy GLCMs.



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Among other major developments of intelligence consequence in Europe last year was the mixed reception of SDI among West European allies. The allies are slowly coming around to participate in SDI research, but a number of West Europeans still harbor grave reservations about the project or oppose it outright. Increased terrorism was also a principal concern. The December massacres by Middle Eastern terrorists at the Vienna and Rome airports were but the latest manifestations of this problem. Also worrisome were new indications of cooperation among terrorist groups based in West Germany, France, and Belgium. A final item of note was the reelection of Papandreou in Greece. Relations with the United States continued to be difficult, but economic and strategic considerations prompted Papandreou to become somewhat more cooperative and less anti-US in his rhetoric and actions.



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**CHINA**

China's momentous "Second Revolution" continued as Deng Xiaoping made leadership changes in the Politburo and Central Committee that enhance prospects that the ambitious modernization programs will continue after he leaves the scene. The pace of reforms did slow somewhat during the year, however, as Deng coped with a large trade deficit and criticisms that modernization was contributing to high-level corruption in China.



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**THE THIRD WORLD**

The most significant development for the United States in the Third World was the continuing deterioration of the situation in the Philippines, as political, economic, and security conditions, exacerbated by President Marcos' declining health and various political manipulations, continued to worsen.



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In the Middle East, Libya's Qadhafi created sharply increasing troubles for Western interests. He raised tensions with the United States; actively supported international terrorist groups; and tried to subvert the post-Numeiri regime in Sudan, the Bourguiba regime in Tunisia, and President Mubarak in Egypt. Meanwhile, the Israeli-Arab peace process foundered, in part due to successful Syrian efforts to heighten the political risk for any potential Arab participant in real negotiations. In Sudan, the regime brought to power by a coup was less supportive of US interests and more open to Libyan influence.



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The Iran-Iraq war remained stalemated. Iraqi attacks on Iran's oil exporting facilities increased prospects, however, that the Iranians might eventually feel threatened enough to attempt widening the war by mounting air or terrorist attacks against those Persian Gulf states they perceived to be supporting Iraq. The US decision not to sell F-15 aircraft to Saudi Arabia adversely affected our ties with the Saudis, while Oman and the United Arab Emirates established diplomatic relations with the Soviet Union, opening the possibility that Bahrain, Qatar, and possibly Saudi Arabia might follow suit.



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A rising cycle of violence developed in South Africa. The slow pace of reforms and the government's harsh response to the violence triggered economic sanctions by the United States and other Western nations, and led to growing international isolation of the Botha regime.



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In India, the sweeping election victory of Rajiv Gandhi ushered in an era of renewed optimism and the possibility of closer ties with the West.



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Moreover, if Pakistan tests a device or produces weapons, India probably will respond in kind, creating the prospect of a nuclear arms race in South Asia.



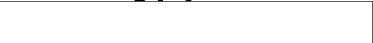
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In Central America, the Sandinista government in Nicaragua continued to consolidate power domestically with substantial military and economic support from Cuba, the Soviet Bloc, and radical Arab states. At the same time fighting between the Sandinistas and the insurgents escalated, with neither side gaining significant advantage. Revolutionary violence in South America rose as Ecuador, Peru, Chile, and Colombia all suffered significant incidents of insurgency or terrorism. Some expanded cooperation among insurgent groups in different countries may be occurring, and some of the groups are receiving aid from such countries as Cuba and Libya. However, democracy in Latin America received a boost in March when, after two decades of military rule, a civilian president took office in Brazil.



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In a final Third World development of significance, the Soviets attempted to buttress client regimes—especially in Angola and Ethiopia—against increasingly effective insurgencies. Soviet weapon shipments were massive, and Soviet military advisers played an increasingly prominent role in counterinsurgency campaigns in these two countries.



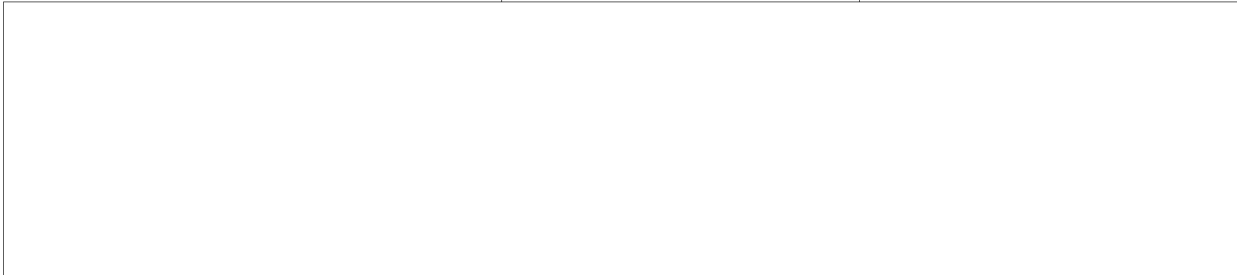
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**GLOBAL ISSUES**

**Terrorism.** International terrorism intensified and remained a major concern. Iranian-sponsored or -encouraged Shia terrorism was coupled with a renewal of spectacular terrorist acts by radical Palestinians, encouraged by Libya and perhaps by Syria. US relations with Egypt, Tunisia, and other Arab states were harmed, at least temporarily, by Israel's strike on PLO headquarters in Tunis and by the forceful US response to the Achille Lauro affair.

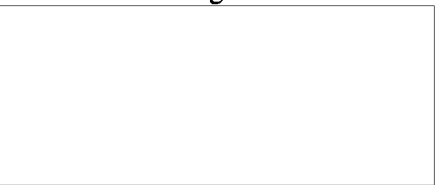


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**Nuclear Proliferation.** Although Pakistan moved closer to being able to produce a nuclear weapon, several positive events also occurred. The 1985 Non-Proliferation Treaty Review Conference reaffirmed the value of the Treaty, North Korea (a country of proliferation concern) signed the Treaty, and Argentina and Brazil began discussions about possible regional controls on nuclear technology.




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**Chemical Weapons Proliferation.** The ability of several countries to produce chemical weapons expanded and their use became more prevalent. During the year, Iraq became the first country in history to use nerve agents against conventional military forces. 

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**Narcotics.** Although some countries, such as Colombia, made at least temporary progress in curbing the production of home-grown narcotics, tremendous amounts of heroin, cocaine, and marijuana were trafficked last year internationally and into the United States. Narcotics money increasingly corrupted high-level officials in several governments (such as Mexico, Bolivia, Colombia, and Peru) and was used to undermine the social, economic, and political fabric of others. 

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**Economics.** OPEC's efforts to hold the line on oil prices virtually collapsed. However, the "debt crisis" among LDCs deepened as the gains in trade evident in 1984 generally were reversed and political leadership favoring austerity weakened in Mexico and Brazil. The politics and economics of US-Japanese trade relations also remained a significant concern. 

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### DEMANDS ON INTELLIGENCE

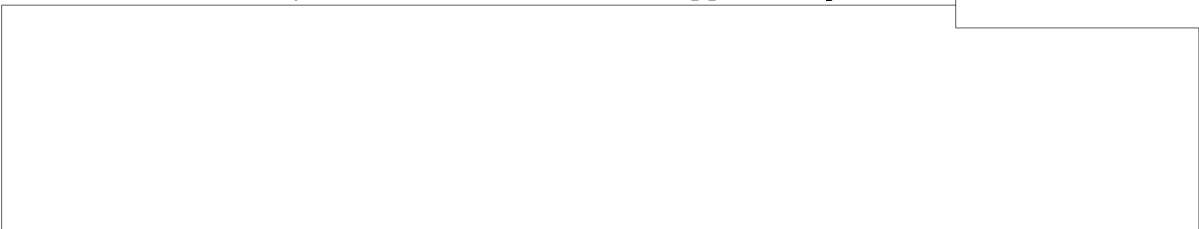
The role of intelligence is to support those charged with making decisions. The issues that concern decisionmakers and policymakers embrace a range of questions on topics as diverse as foreign policy, military capabilities, trade and agricultural policy, and military plans and operations; major demands stem from the need to be adequately informed about the meaning of events.

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Certain issues immediately engage the attention of policymakers. This is typically the case in areas of current or impending crisis, such as Central America or the Philippines. It is also the case during the planning and implementation of major new initiatives, such as the resumption of nuclear and space talks. Moreover, in a world riddled with terrorist activities, political instability, threats of force, and civil or regional armed conflict, officials increasingly expect instant reporting and analysis of dynamic and potentially dangerous events to support military plans and operations and crisis management policy decisions.

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All intelligence disciplines have been affected by the demands of consumers for additional, more timely, and more detailed direct support to operations.



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Another trend is the tendency of consumers to demand ever more detailed information and analysis in support of issues involving international negotiations or programs such as the SDI. This tendency is strengthened by the growing interrelationship of events, which has fostered conditions where foreign policy issues and actions, for example, frequently have economic and technical dimensions and consequences. One result is an expansion of the burden on analysts; another is the requirement for more coordinated production across analytical units.

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Increasingly, policymakers also ask for assessments of intentions—such as those of the South African Government concerning apartheid—or for hard evidence of linkages that are suspected but difficult to establish—such as precise links between organizations or nations and terrorist attacks, or the identity of a specific Soviet service responsible for a particular forgery or other active measure. The result is that analysts demand more and more from collection systems.

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Other demands placed on the Community proceed from the serious threats posed by activities such as terrorism and espionage. At a time when the presence and activities of hostile intelligence personnel are increasing and terrorist incidents and

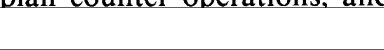


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threats against Americans have escalated, counterintelligence and counterterrorism programs require considerable resources to identify and neutralize hostile actions. Real-time support for such incidents as the Achille Lauro is required to protect US personnel and facilities, deflect potential incidents, plan counter operations, and make informed decisions on commitments of US forces. 

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In my last report I discussed some significant challenges that lie ahead. These challenges remain the source of compelling claims on the Community's attention. The need for collection systems to be responsive to competing priorities; the importance of applying new technologies to intelligence systems; the spread of technology worldwide, especially to communication systems; the efforts of the Soviets to deny us information; the evolving signals environment; and the opportunities and burdens of the information explosion are but a few examples of developments that demand creative and workable solutions. These solutions, moreover, must be sought in a fiscal and funding climate that is uncertain at best. 

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### THE INTELLIGENCE RESPONSE

This section discusses significant Intelligence Community actions taken in response to the major events of 1985. The word "response," though, is misleading, as many of the studies, briefings, and reports produced were actually done in anticipation of events. Where appropriate, comments have been included on the attention which certain topics continue to receive, as well as on possible implications for the near term. Important shortfalls and deficiencies are also noted.

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### THE SOVIET UNION

Prior to and in the wake of the death of General Secretary Chernenko, the Intelligence Community was called on to assess the prospects of a succession, the nature of the process, who might be chosen, and what his likely future course would be. The Community further sought to provide analysis of the major issues facing Soviet leaders, their domestic and international options, and the policies they most likely would adopt.

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Many national estimates and staff papers were produced in response to these and other questions. Two major National Intelligence Estimates (NIEs) focused on domestic stresses on the Soviet system and Soviet strategic and political objectives in arms control in 1985. Other NIEs examined future prospects in Sino-Soviet relations, and Soviet policies in Afghanistan, southern Africa, the Middle East, and Central America.

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The CIA also established a new division to consolidate work on Soviet domestic issues.

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The Intelligence Community anticipated accurately that Gorbachev would succeed Chernenko. Moreover, his policies toward the US and in major regional arenas were broadly anticipated, as was his more activist approach; there were no Soviet policy shocks or major surprises adverse to US interests. The Community could not anticipate the precise time of Chernenko's death. We also did not initially appreciate the speed with which Gorbachev would be able to act in replacing personnel and otherwise consolidating his position. With regard to future analysis, we have data and perspectives on a number of other key issues about which we remain uncertain. These include how much Gorbachev will actually be able to get out of the Soviet economy without major reform of the system, what paths he will take if his economic approach essentially fails, what the relationships will be between Soviet policies toward the United States and Soviet economic policies and other internal developments, how much Moscow will get out of its allies in support of its economic goals, and the particular tactics down the road that Moscow will adopt in the superpower competition and toward key regional actors.

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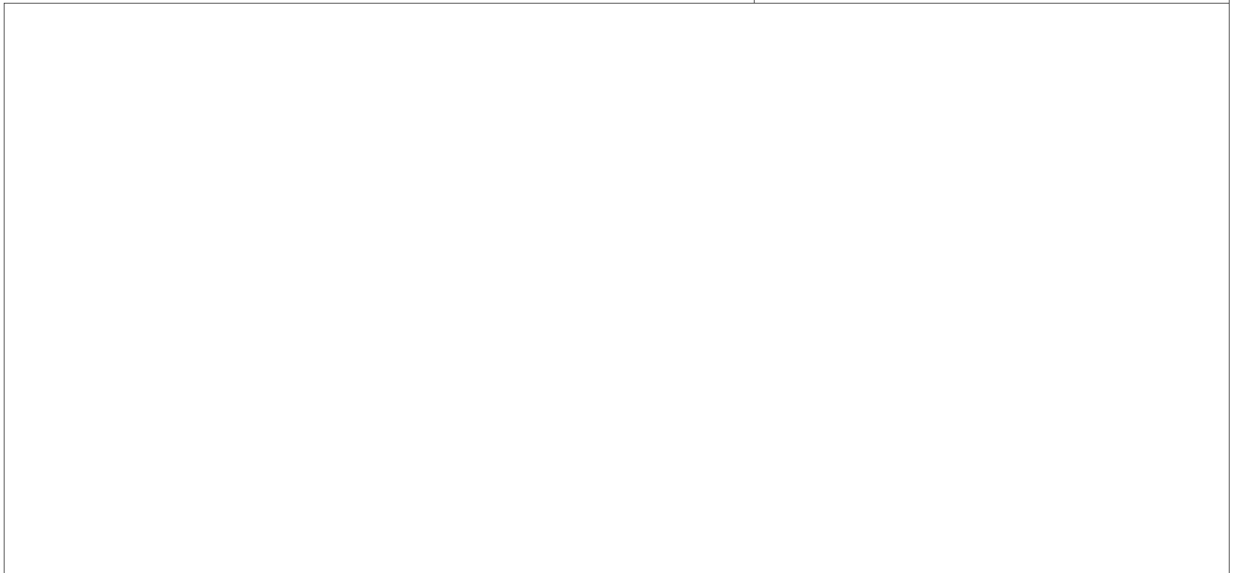
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In the areas of Soviet strategic weapons evolution and developments in Soviet science and technology, the major focus this last year has been on examining the potential for the Soviets to produce military systems that could change the balance of power. During 1985, we published an important NIE on Soviet space programs, as well as an annual edition of *Soviet Capabilities for Strategic Nuclear Conflict Through the Mid-1990s*. Three major Interagency Intelligence Memoranda were produced on the subjects of Soviet civil defense, Soviet planning and capability for protracted nuclear war, and air defense of the USSR. In addition, a DCI Special Assessment on the Soviet ballistic missile defense program was prepared, and work was published on the significance of Soviet/Warsaw Pact military exercises.

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The deployment of the first Soviet land-based mobile ICBM, the SS-25, opened an era of greater emphasis on survivability and mobility that will mean significantly more difficulties in estimating the size and effectiveness of Soviet strategic forces and in monitoring Soviet compliance with treaty limitations.

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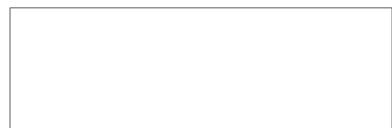
Soviet agreement early in the year to return to strategic arms talks with the US led to increasing demands for analysis and policy support, culminating in the support required for the President's November meeting with Gorbachev. Numerous background papers were provided in advance of the summit, as well as quick analyses of current events that might affect it. We also used data bases and methodologies developed over the past few years to predict accurately the terms of the Soviet proposal for a 50-percent reduction in offensive forces and to assess its military implications. We continued to rely on virtually all collection systems to support analysis of these and other questions involving Soviet strategic systems.

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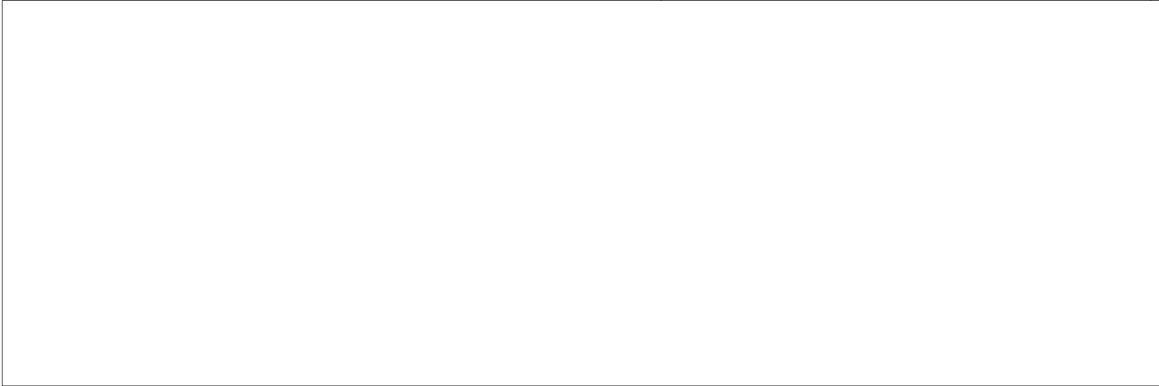
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In the year to come, four science and technology (S&T) areas will command priority attention:

— *Strategic Defense and Counter-SDI Programs.*



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— *Antisubmarine Warfare.*



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— *Low Observables.*



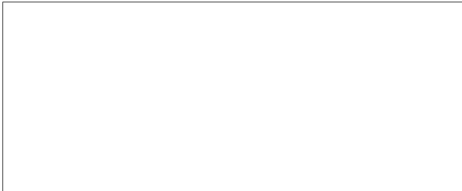
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— *Space Programs.*



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Another subject of S&T interest is industrial modernization. To monitor progress here, we must continue to collect and analyze data on Soviet acquisition of technology in the areas of computers, microelectronics design and production, high-quality precision test equipment, and sensors (large optical and infrared array). The burgeoning availability of advanced technology for transfer to Communist countries will stretch our ability to monitor transfers of critical technologies.



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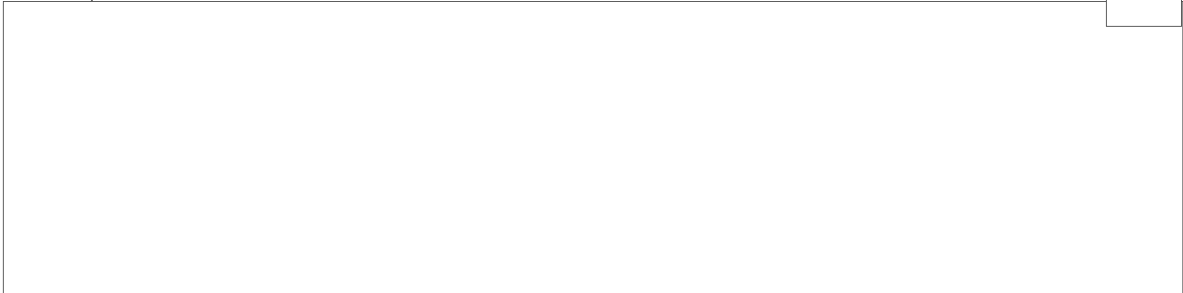
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Substantial production also occurred during the year on Soviet general purpose forces. During 1985, the National Intelligence Council (NIC) completed its analysis of the global impact of Warsaw Pact theater forces capabilities and vulnerabilities. A series of regional threat assessments included an estimate of the threat opposite NATO and a companion interagency memorandum on Warsaw Pact theater forces, and estimates on the threat in the Persian Gulf and in the Far East. A study was published on Soviet strategy and capabilities for multitheater war, while our comprehensive review of Soviet naval strategy and programs was completely updated. Finally, five significant assessments were begun this winter: *Soviet Military Production*; *The Soviet Response to a Conventional Defense Initiative*; *Soviet Foreign Military Assistance*; *Moscow's Home Front*; and *The Threat to US Mobilization*. In their totality, these Community studies have had an important effect on the Joint Strategic Planning System, and all of those begun this winter are expected to have a significant impact on both policymaking and defense appropriations considerations.

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Also completed was an extremely important assessment of Soviet tank programs and most of the work on a companion piece on Soviet antiarmor programs to be published in 1986. In addition, a Special National Intelligence Estimate (SNIE) on Soviet submarine warfare developments was produced. All these weaponry-related assessments have serious implications for US tactics, organizations, and future weapons systems acquisition. Many collection systems contributed to these assessments.

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Finally, a great deal of effort was expended on Communist arms transfers with important results. For example, the support we provided policymakers in warning about and assessing the progress of recent Soviet deliveries of long-range SA-5 surface-to-air missiles to Libya typifies the kind of critical current intelligence needed on this subject. Our analysts also assessed the broader military and political impact of the large quantities of Soviet and other Communist and non-Communist arms delivered to Third World countries, and they have been increasingly called on to detect and provide timely information to help interdict the smuggling of arms to insurgent and terrorist groups.

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**EUROPE**

The majority of 1985 production focused on European reactions to changes in the Soviet Union and on developments in Eastern Europe. For example, one 1985 NIE was *Major NATO Allies: Perspectives on the Soviet Union*. Another important paper now under way is on Soviet-East European relations. In 1986, estimates will also be produced on several individual East European countries (Hungary, Poland, and Yugoslavia) that are facing important problems during the early phase of the Gorbachev era.

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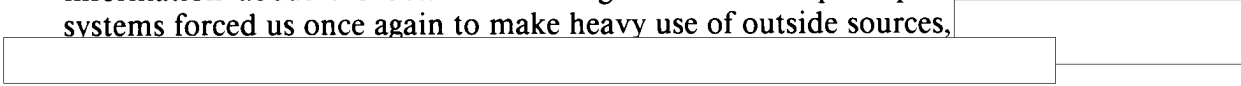


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Two events in the USSR—Gorbachev's accession to power and revived attention to economic reform—have potentially large implications for Eastern Europe. To assess these implications, CIA, for example, established a task force to examine Soviet-East European economic relationships, and continued efforts to develop standardized data bases on both economics and social elites, which should aid the identification of potential successors to aging East European leaders. However, limitations on our information about the detailed workings of East European political and economic systems forced us once again to make heavy use of outside sources,



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Other areas of production concerned Allied reaction to the SDI (*Allied Science and Technology for the Strategic Defense Initiative*), US-Greek relations in the wake of Papandreou's reelection, and Ceausescu's problems in Romania. The Intelligence Community has also been at the forefront in developing good information about terrorist groups in Europe and in creating international links to combat terrorist activity. In 1986, two NIEs, one on the evolution of Italian foreign policy and another on Malta (which will look at its relationship with Libya), will examine the impact of terrorism.



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**MIDDLE EAST AND SOUTH ASIA**

In 1985, the Intelligence Community devoted many collection and analytical assets to tracking the Middle East peace process, and a SNIE was produced on Syrian opposition to the process.



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**LATIN AMERICA**

Two national estimates on Nicaragua provided timely information on Sandinista assistance to leftist groups in Latin America and assessed Sandinista strategies for



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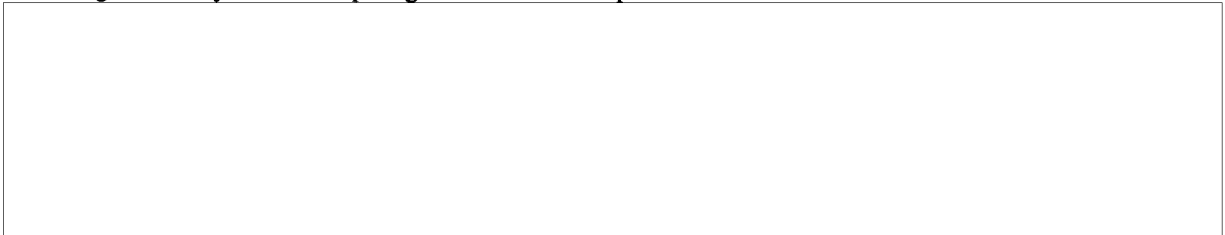
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establishing a Marxist-Leninist state. But as Nicaragua has become increasingly hostile and the Cuban/Soviet presence there has increased, we have had to step up our collection and analytical effort. We have been partially successful, but still have a need for more information, especially with regard to tactical military intelligence on the Sandinista-Contra conflict. Clandestine reporting on Nicaragua improved in 1985, but we still need more and better reporting on internal developments. Cuban and Nicaraguan support of leftist revolutionary groups elsewhere in Central and South America has been difficult to trace, and we have found only a few cases of clear-cut evidence of their role, despite a considerable expenditure of intelligence resources to find such data.



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In the case of expanding revolutionary violence in South America, we still have major intelligence gaps, particularly on the degree to which Cuba and Libya may be supporting or encouraging the insurgent groups involved or whether it is essentially an independent, completely domestic phenomenon. We acquired some evidence that insurgents may be attempting to establish expanded contacts with narcotics traffickers.



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**EAST ASIA**

The growing Communist insurgency in the Philippines and President Marcos's decision late in the year to call for a snap election on 7 February 1986 required us to provide extensive current support to policymakers and has dramatically increased our need for in-depth knowledge. The demand for analysis on the Philippines was such that an interagency consultative group was formed to coordinate collection priorities and production goals. In addition, DIA and CIA separately created Philippine task forces.



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An in-depth assessment of the organization, goals, and tactics of the Communist Party of the Philippines/New People's Army; a SNIE on insurgent capabilities; and a case study of Communist infiltration tactics and government counterinsurgency efforts were produced. The succession to Marcos was also examined in detail, and several assessments and a SNIE were published.



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**CHINA**

Increased collection and analytical resources clearly will be needed in the future to track and understand the magnitude and implications of China's modernization effort.



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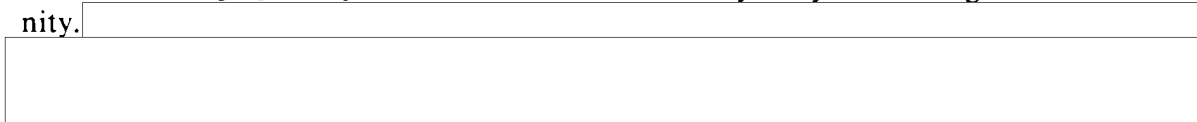
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In particular, China will require a healthy R&D program supported by an ability to acquire and assimilate foreign technology if modernization is to succeed. We will seek a clear view of the progress of reform in China and measures of the potential for successful developments in Chinese science and technology over the next 10-15 years. Also at issue will be the role of technology transfer in Chinese progress and the factors that will influence the development of US policy in this critical area.

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**AFRICA**

The increase in Soviet military and political involvement in Angola and Ethiopia—an example of an apparent Soviet attempt to apply the “Brezhnev Doctrine” to Africa—is a high-priority item for collection and analysis by the Intelligence Community.



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We also devoted growing resources to following South Africa’s involvement in the government-insurgent conflict in Angola. The possibility of a clash between South African and Soviet/Cuban forces is a particularly important subject.

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Government attitudes toward reducing apartheid, the pace of reforms, and the scope of domestic violence were additional South African subjects given close attention by the Intelligence Community. Continuing violence in South Africa has made that country’s internal development and international actions a US national security issue and has led to a sharp rise in consumer requirements for both sophisticated research projects and current intelligence analysis. CIA, for example, reorganized its Africa Division to increase the resources devoted to southern African issues and increased its funding of external research projects and conferences. A comprehensive national estimate was also published detailing the prospects for stability, reform, and violence, while the internal strife affecting South Africa was addressed in three major studies that focused on such issues as black unity, rightwing strength, and the effect of the economic realities on political choices.



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In Sudan, we were occupied with the degree to which political changes there threaten US regional interests and the identification of opportunities opening up for subversion and terrorism by Libya.

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Estimates were produced on Mozambique, Sudan, the Soviets in southern Africa and in Angola, African famine, and South Africa in response to high-level policy debate and review. An estimate published on the Southwest Indian Ocean supported a policy paper, and an estimate on Liberia dealt with issues of intense policy interest at the bureau/regional level. The enormity of Africa’s economic crisis was and continues to be a key intelligence issue. We have followed particularly the manner in which African regimes dispose of US aid and whether their use of the aid supports or undercuts our interests in the region.



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1985 also saw major Department of State and CIA conferences on South Africa and a conference on Sudan; these sessions facilitated an exchange of views with academics and business people.

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**OTHER TOPICS**

**Counterintelligence and Security.** Actions to improve our capacity for safeguarding national security information and for identifying, neutralizing, or exploiting foreign intelligence collection activities accelerated in 1985. For example, in the counterintelligence area: [Redacted]

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Security countermeasures have also been consistently examined based upon experiences, study recommendations, or other authoritative direction. During 1985, these actions led to a variety of improvements. For example: [Redacted]

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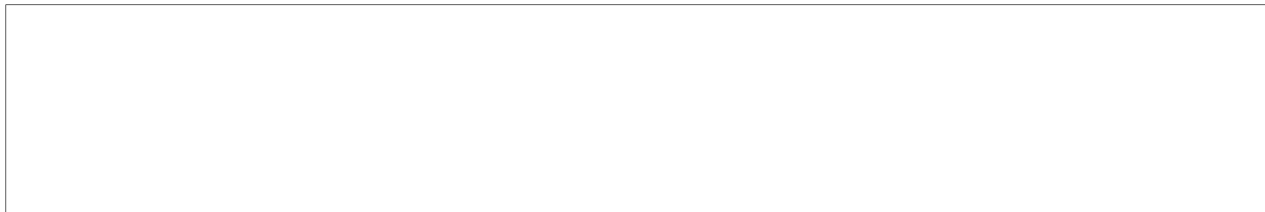
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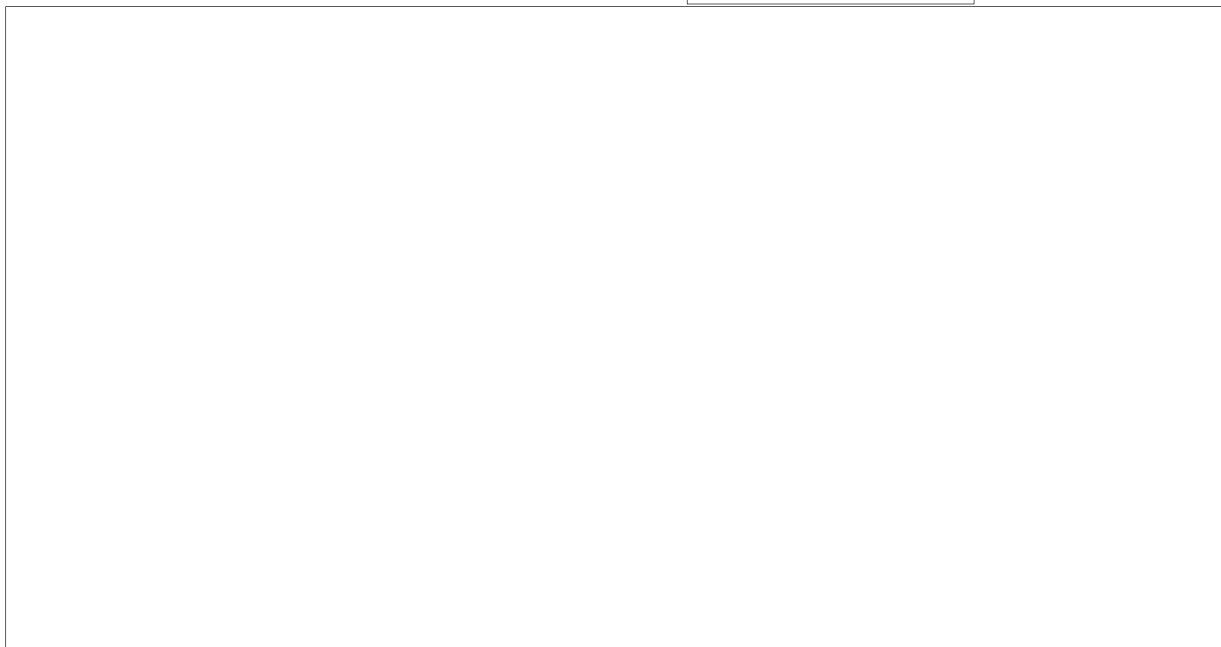
Beginning in October, representatives of the counterintelligence and security elements of all the Community's agencies and departments participated in a series of hearings, sponsored by the SSCI, to determine how we might cope even more effectively with the hostile intelligence threat. A full report on the results of these hearings will be provided in the near future. 


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**Denial/Deception Analysis and Active Measures.** The Intelligence Community continued in 1985 to increase response to both National Security Council and Congressional requirements for more analytical attention to the areas of intelligence denial and deception and Soviet active measures. 

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**Early Warning.** The National Intelligence Officer for Warning fostered the development of new warning methodologies and programs with various US agencies and friendly foreign services. These programs are specifically directed at USCINC-EUR's continuing requirement for early warning of Soviet/Warsaw Pact intentions to launch an attack against Western Europe. 

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To take advantage of new innovations in warning, the NIO/Warning also worked with various US agencies and foreign intelligence services to establish programs that will identify political and economic indicators of impending crises. To date the following programs have been initiated:

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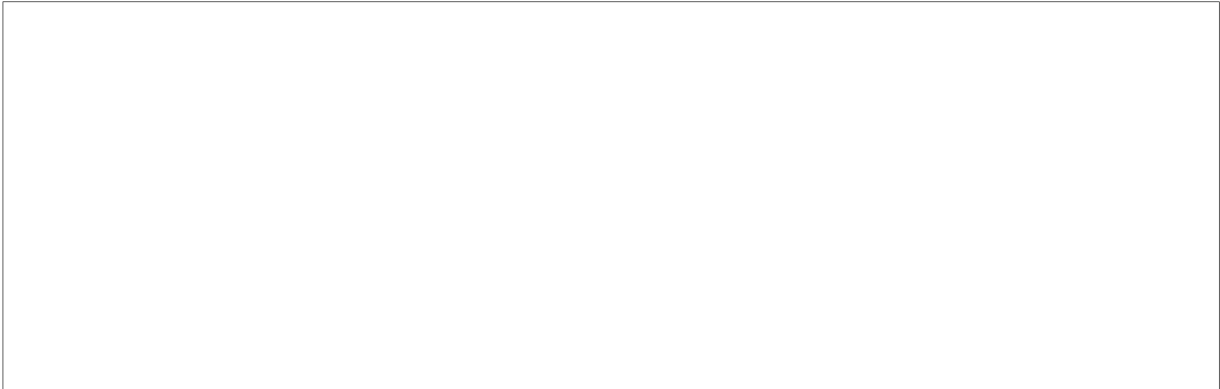


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**International Terrorism.** The surge in international terrorism in 1985—particularly in the Middle East—posed new challenges for intelligence analysts in providing products of maximum utility to US officials responsible for countering it. 


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— Numerous analyses of terrorist issues were provided to the State Department's Office for Combating Terrorism and Emergency Planning. Many of them, particularly on the role of Libya and Iran and the threat posed by the Abu Nidal group and the Hizballah, were prepared to be passed to government officials   to support US initiatives for more international cooperation in counterterrorist measures. Within State, INR established a new office of terrorism and narcotics analysis to concentrate more efforts on the global issues and the increasing connection between the two. 

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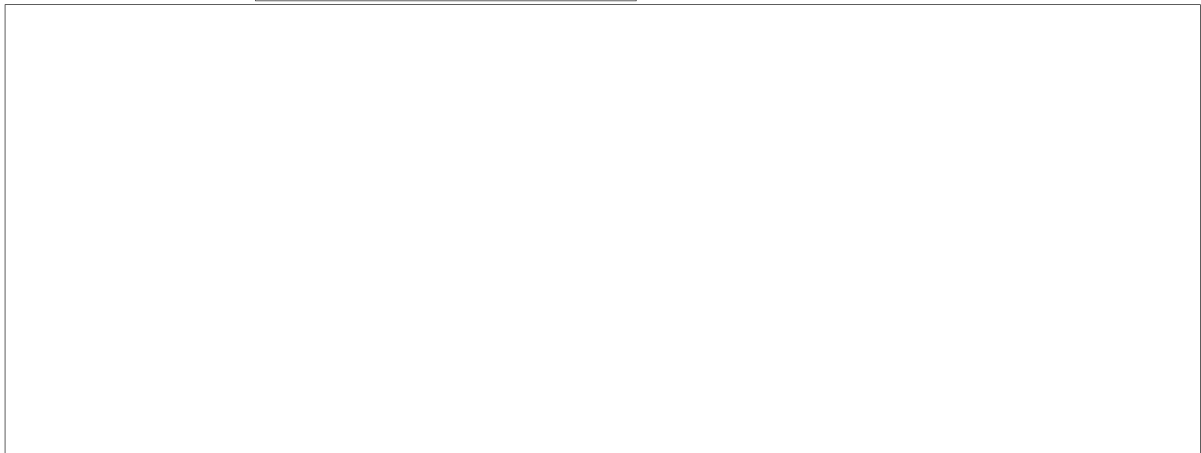
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— Dispersal of Flashboard communications terminals and the DESIST information and communications system throughout the intelligence and policy communities has accelerated the process of sharing and evaluating terrorism information and the dissemination of analysis to a multitude of consumers during crises. 

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— Defense intelligence expanded terrorism analysis and production to develop counterterrorism options and support material; carried out antiterrorism and vulnerability studies of military installations worldwide; and increased physical security improvements and awareness programs, especially for personnel assigned overseas. 

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— In terms of prevention, we issued over 70 alerts of terrorist threats to US interests that resulted in deterrent action being taken. This is testimony to the extensive collection program maintained in 1985, and to the fact that liaison services have been increasingly responsive and are cooperating more than ever in technical and other operations. 


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The terrorist target, however, remains an extremely difficult collection and analysis problem. Because of the nature of the target and the finite limits of our personnel strength, and notwithstanding planned increases in collection coverage, we cannot provide complete and comprehensive collection on the total terrorist threat. Our human collection capability is limited to selected incidents and concentration on highly active terrorist groups. We have continued to improve our data bases and the understanding and capability of selected foreign governments to defend against terrorist attacks. But indications of planning for specific operations, while more frequently obtained, are never comprehensive enough to deflect all planned operations, and key sponsoring groups remain elusive targets. Access for US sources is also extremely difficult to secure, and so we often cannot independently confirm the human-source information provided by friendly liaison services that make up the bulk of our reporting on terrorist plans. 

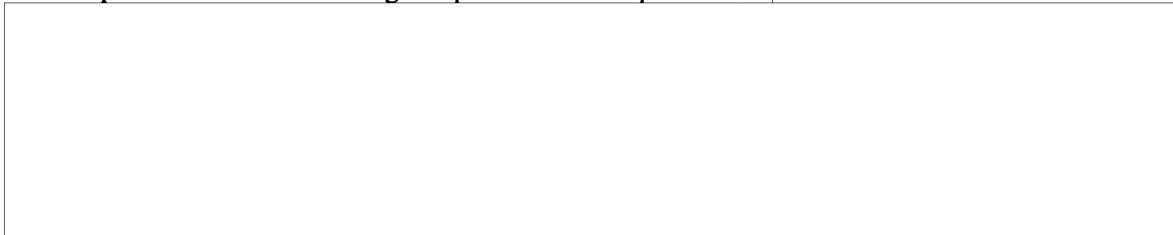
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**Chemical Weapons Proliferation.** The topic of chemical weapons proliferation increased in importance over the past year. This is evident both from the perspective of increased Intelligence Community attention and devotion of analytical resources, as well as from an expansion of the interest Congress has shown on this high-priority issue. One indication of the prominence of the issue is the increased requirement for the production of national-level intelligence. To meet interest and demands for information, the National Intelligence Council produced an estimate, *The Implications of Chemical Weapons Proliferation*, that details the prospect for consummation of an effective global ban on chemical weapons, while identifying the nations which have or are developing an offensive chemical weapons capability. 

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Intelligence Community organizations produced other timely and relevant studies, including a report on worldwide chemical warfare proliferation, an analytical perspective on the Iraqi chemical weapons program, and an engineering analysis and estimate of Iraqi chemical warfare agent production capabilities. 

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Drawing on intelligence analysis, US Military Commands were also briefed on the possible chemical weapons threat to forces that might participate in any operation in the Middle East. Special forces and related groups were made aware of the seriousness of operating in a contaminated environment and the degradation to efficiency that would result if exposed to chemical agents. 

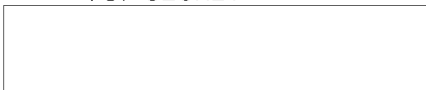
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**Technology Transfer.** Growing international awareness of the Soviet program to acquire illicitly and apply Western technology in military programs radically increased demands for intelligence support. We continued to improve our ability to collect intelligence on Soviet efforts to acquire high technology. As a result of our collection operations, demarches were made to several West European governments on their plans to sell such technology to the Soviet Bloc. In 1985, our special center dealing with this issue delivered almost 50 briefings to foreign officials, briefed major US defense contractors and foreign companies, and provided technical support for COCOM and bilateral negotiations. As a result of these efforts, liaison services became more cooperative, and, in several cases, unilaterally stopped diversions to the Soviets; US firms provided leads on potential diverters as well as on possible KGB and GRU operatives;



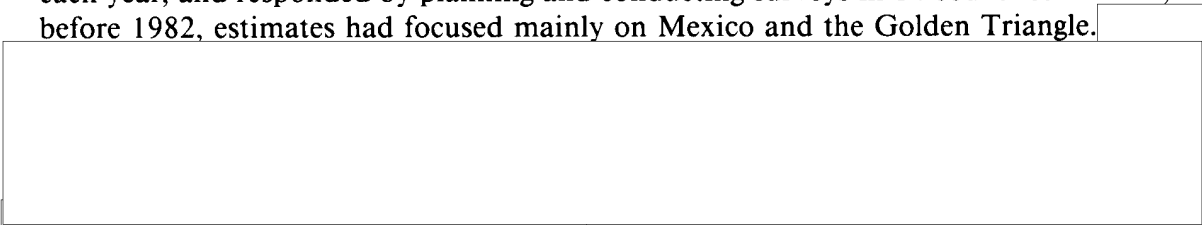
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The FBI, through its program to develop counterintelligence awareness, contacted more than 3,000 defense contractors in 1985 to alert them to the threat posed by hostile intelligence services, including the problems of illegal technology transfer. The overall problems posed by technology transfer, however, are such that additional resources are necessary to cope with the demands of maintaining and exploiting the data bases that make possible successful analysis and interdiction efforts.



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**Narcotics.** A national estimate was produced last year on the implications of the drug trade for US security. The NIC also initiated the development of narcotics intelligence collection strategies for Brazil and Belize, and formed an interagency working group to analyze financial intelligence on several key trafficking organizations. CIA was asked by policymakers to step up the number of narcotics crop estimates done each year, and responded by planning and conducting surveys in 14 countries in 1985; before 1982, estimates had focused mainly on Mexico and the Golden Triangle.



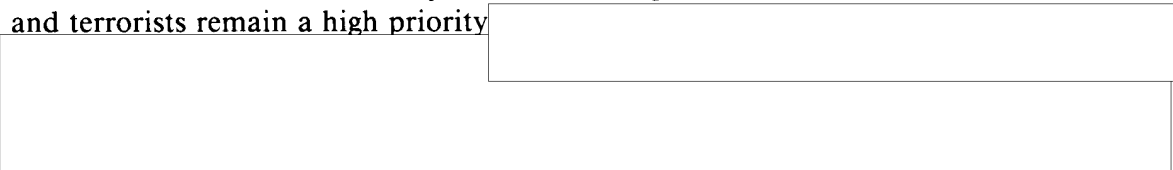
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Increasing national concern over the drug problem also led to increasing DoD involvement in antinarcotics efforts. In the past year Defense intelligence entities began providing direct support to those efforts



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There are serious gaps in our knowledge of the infrastructure of major trafficking networks, however, and several questions remain concerning countries of recent but growing importance in the drug trade such as India and the island nations of the eastern Caribbean. Collection and analysis on the linkages between narcotics and insurgents and terrorists remain a high priority



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these improvements, collection of narcotics intelligence [redacted] has been hampered by the growing sophistication of smuggling organizations, their family-dominated nature, and their tendency to operate in remote areas. [redacted]

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**International Economics and Trade.** The Community responded to the crisis in OPEC with an estimate dealing with the impact of lower oil prices and looking at the political ramifications for oil-producing countries as well as the positive effects on world growth. As real oil prices continue to slide, the potential for political problems among producing countries will increase, making it important that we allocate resources in the future to be able to recognize potentially negative trends at an early stage. [redacted]

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Weak commodity prices and subpar growth in the industrial countries were factors in the reemergence of the "debt crisis" as a major issue in 1985. These elements, coupled with the failure of many debtor countries to make economic adjustments at home, portend increasing difficulty for most debtors in keeping current with interest payments and providing for future growth in incomes. The Community completed an estimate in 1985 of the difficulties these countries face. The potential of these economic problems to spill over into the domestic political scene in countries such as Mexico will increase as the crisis drags on. Here, too, we are making sure that the proper resources are in place to detect signs of trouble that would affect US interests [redacted]

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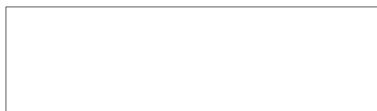
Industrial developments in foreign countries were additional areas that increased in importance, as they have had a significant impact on US competitive positions, particularly in the areas of biochemical engineering, optoelectronics, advanced materials, robotics, and semiconductors. Competition in commercial space services has also continued to increase, and near-term concerns have remained centered on launch services, satellite systems for communications, and remote sensing. It is expected that the need to apply added resources to such developments will grow in step with their increasing military and economic consequences. [redacted]

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A final area that has grown in importance and that will bear new scrutiny is the role of international technology transfer in determining future technology levels and competition. One of the most important and least predictable factors influencing comparative technology levels and transfers will be the increased importance of corporate alliances, which may lead to a decline in technology gaps. Joint ventures of this kind are expected to extend into areas such as data processing and telecommunications, in addition to longstanding joint programs in aerospace and nuclear technologies, with potentially significant implications for US positions. [redacted]

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**Support for Operational Forces.** Support to operating forces continued to receive high priority, and a notable success occurred in the case of the Achille Lauro hijacking and the US response. However, significant work remains to be done, ranging from the



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need to deal with new analytical problems to a requirement for greater improvements in our ability to move intelligence to users in a timely fashion. At stake is the capacity to support war planning, war fighting, and special operations.

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**Tailored Intelligence Support.** Steps were taken to improve the concentration



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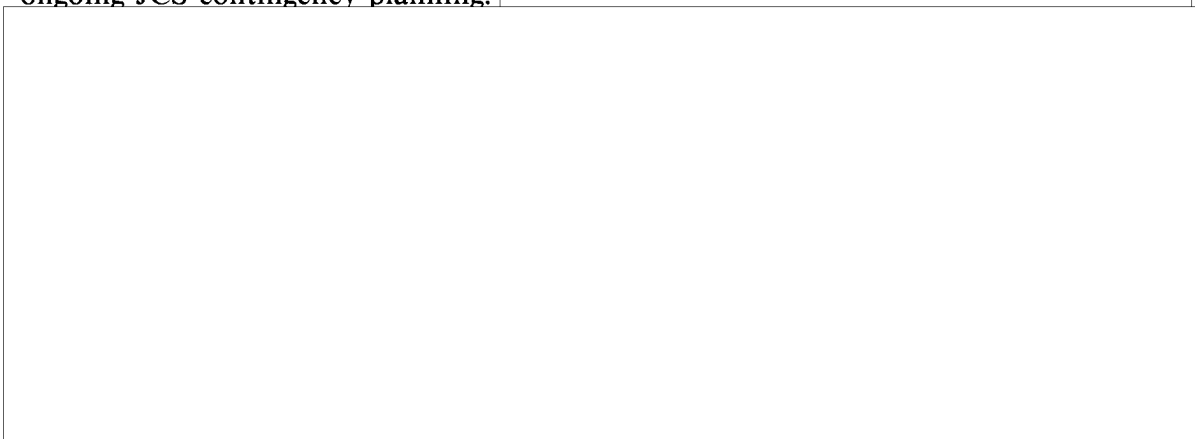
Efforts were also begun to upgrade significantly the quality and timeliness of target intelligence support for the 1990s.

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In response to a directive from the Secretary of Defense, a multiyear effort was launched to improve contingency war-fighting capabilities on behalf of the US Southern Command, and a 20-man Caribbean Joint Intelligence Center was established in Key West to support the US Forces Caribbean (USFORCARIB). The Center will provide assistance in support of a variety of the Command's planning and operational missions. Additional intelligence support projects were approved for funding in the next fiscal year and beyond, which will further improve intelligence collection capabilities in the region.

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Considerable resources were expended to provide personnel and support to US Navy forces deployed in the Mediterranean Sea and Indian Ocean in support of ongoing JCS contingency planning.



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**Intelligence Data Bases.** Growth in the Defense intelligence analytic data base and infrastructure in 1985, coupled with internal realignments, allowed broader and more sophisticated production. Particular emphasis was devoted to developing adequate data bases to support analyses at each level of military command. Automated data bases and analytical coverage associated with the Third World were improved and most core requirements of top-priority countries have now been filled.

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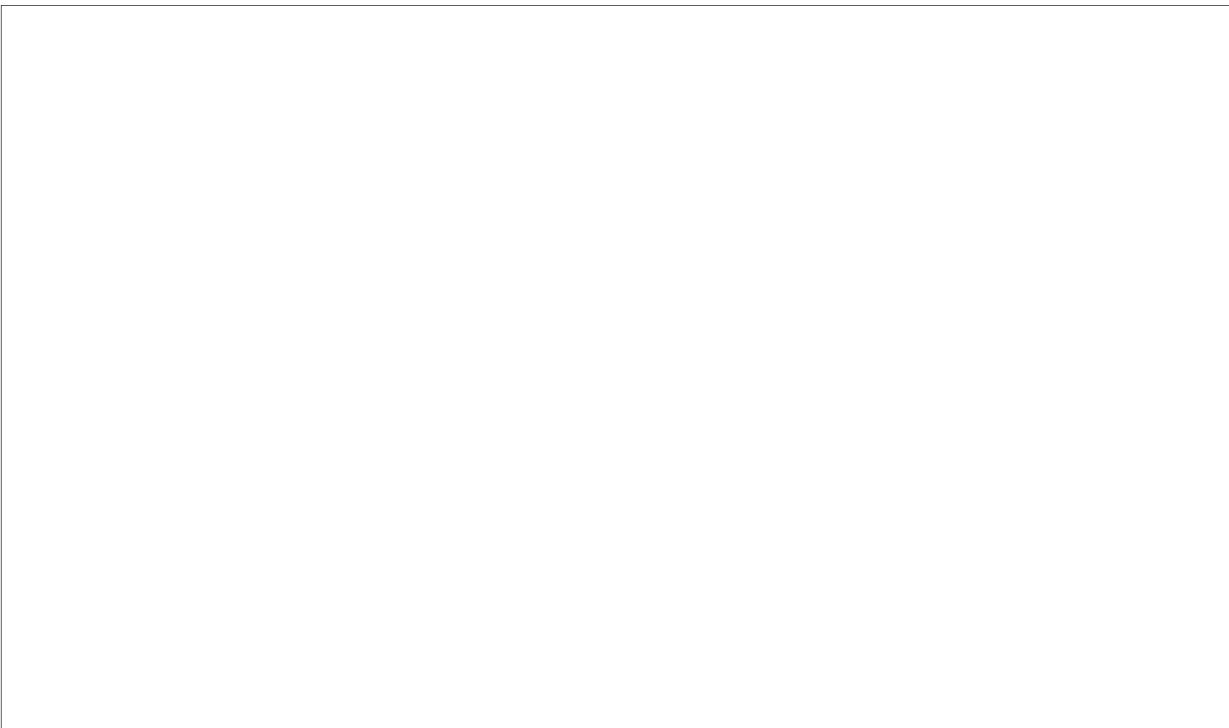
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***The Joint National Intelligence Development Staff (JNIDS).*** The JNIDS serves as Intelligence Community focal point for application of advanced ADP technology to intelligence processing and analysis. The program focuses on emerging ADP technologies and innovative techniques to be applied to existing intelligence problems and systems. During 1985 JNIDS began work on:

- Feasibility studies and proof-of-principles demonstrations of technology that can be applied to intelligence processing.
- Applying JNIDS techniques to the Soviet submarine-launched ballistic missile threat to improve indications and warning.
- Consolidating data bases and communications between the Naval Intelligence Command and the Strategic Air Command. Linkage between Pacific Fleet submarine analysts in Hawaii and the Navy Operational Intelligence Center in the Washington, D.C. area was also completed.



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### MAJOR ISSUES AND CHALLENGES

There are other challenges and demands placed on the Intelligence Community that occur outside the context of significant or specific events. These generally involve questions that cut across the missions of individual Community agencies and that focus on matters of process or critical needs. Taken together they make up an agenda of issues and problems that must be considered as the Community acts to meet the nation's intelligence needs. This section discusses the most important of these issues.



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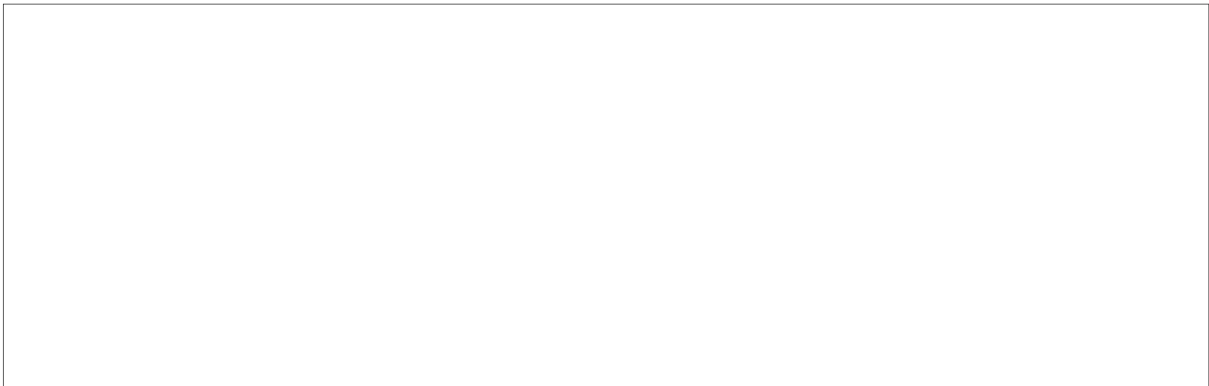
#### PEOPLE

The Intelligence Community does not exist apart from the men and women who do its work. In last year's report I noted the trends that will affect the Community's ability to fulfill its personnel requirements. The demand for highly skilled professionals in the context of competitive recruiting and retention circumstances has not lessened, but the constraints on our ability to offer the benefits necessary to compete continue to suggest a pessimistic outlook. The spread of technology throughout the world, the acquisition of complex collection systems, and the advent of more sophisticated analytical requirements and methodologies ensure that personnel pressures will remain a major concern.

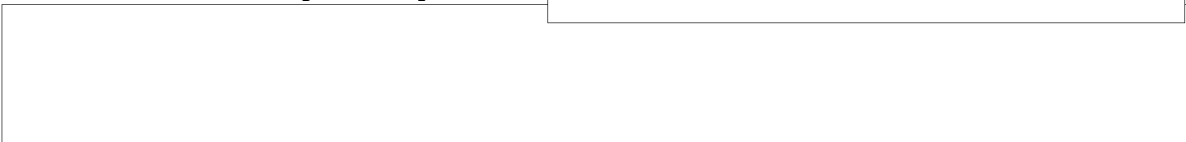


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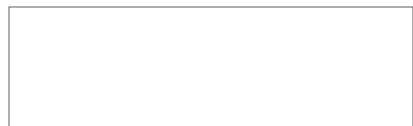
There is wide Community concern over the possible effects of proposed changes in federal employment benefits. Given the lack of practical intelligence experience that characterizes those newly hired into the Community, the need to retain skilled personnel assumes great importance.



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#### THE INFORMATION EXPLOSION

The "information explosion" has become a common expression in the intelligence vocabulary and is in danger of being relegated to a stock phrase. But the problems it



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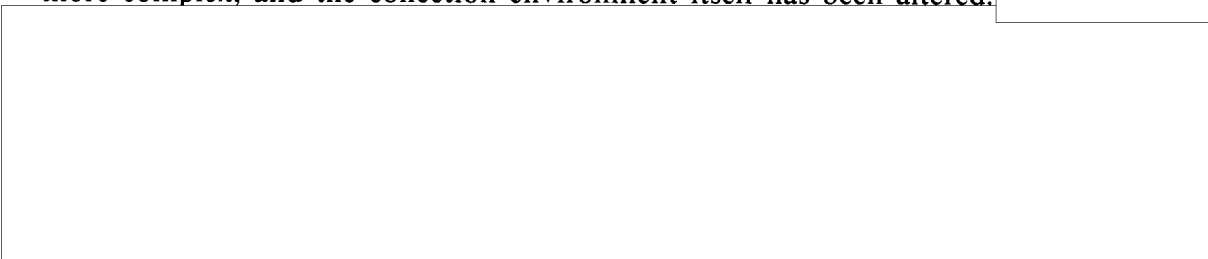
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symbolizes and the implications it conveys remain very real. As I noted in my report last year, the key to solving those problems lies in improving our ability to derive intelligence from the vast amounts of data that are collected each day. The increases in available data stem from our creative use of technology; the improvements necessary to exploit that data will also be found in technology. We have made some progress, but have a very long way to go to develop the advanced processing techniques, expert automated systems, and sophisticated information handling necessary to do the job.



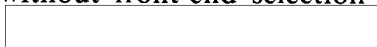
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The challenges associated with this problem do not rise from the acquisition of technologically complex collectors alone. Analytical requirements have also become more complex, and the collection environment itself has been altered.



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Volume management is a major problem now and will intensify. As the numbers of images acquired and signals on the air increase, selection of those with the highest potential for intelligence value becomes more difficult and more critical. Saturation of follow-on processing systems will result without front-end selection and filtering of extremely high-volume collection systems.



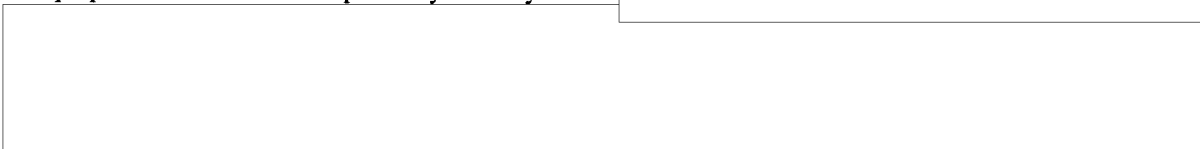
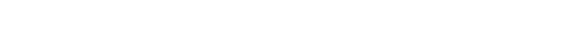
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Some gains have been made, though



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We have also made changes to processing that have increased our efficiency and continued modernization of collection systems worldwide to bring state-of-the-art equipment to bear in especially thorny areas.



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The FBI has also been faced with the need to deal with dramatic increases in the amount of available information, and is convinced that long-term improvement is possible through creative efforts to automate the process that feeds data into the system. The FBI has also combined into one data base various types of information in an effort that has led to an improved ability to handle information management needs in the field in the event of terrorist incidents or special events such as the Olympics, a world's fair, or a major political convention.



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In the area of open-source information, we have brought together through the HUMINT Committee the many elements in the Community that work on collection, translation, processing, and distribution of such material. As a result, we have a long-term program for better coordination and exploitation through fuller use of modern information handling, processing, and delivery technologies. We now must devote the resources to implement the Community commitment to these improvements.



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### THE CHANGING INTELLIGENCE ENVIRONMENT

The pace of technological innovation and the demands placed on intelligence to broaden its coverage—in terms of both geography and topics of concern—have created an intelligence environment that is both complex and dynamic. This trend has been spurred by the increasing need for intelligence to be available on a near-instantaneous basis. The challenges that result reach to every area of intelligence—collection, processing, analysis, production, and dissemination. 

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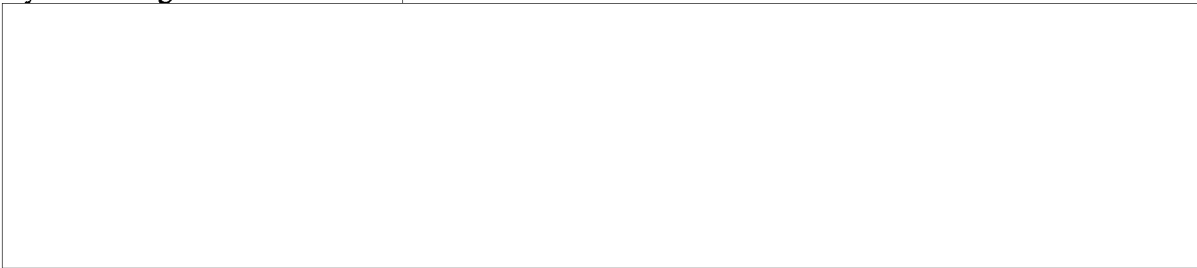
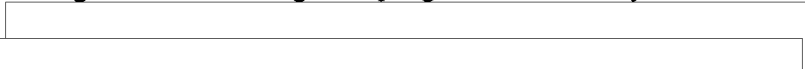
**SECURITY AND INTEGRITY OF INTELLIGENCE ACTIVITIES**

The spate of espionage cases in 1985 brought mounting recognition of the highly hostile human and technical penetration threat. It also served to reemphasize the inherent importance of security countermeasures in the defense of our nation's secrets, and underscored the value of strict compartmentation of sensitive information to mitigate losses. Security is a bedrock concern that demands unflagging awareness, strict attention to protective security disciplines, and aggressive counterintelligence efforts.



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Actions to improve our foreign counterintelligence program in recent years have yielded significant success.



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As previously noted, we have also taken steps to improve awareness of physical security needs. For example, in 1985, in the area of physical security, the Defense Department conducted vulnerability assessments and surveys of Security Assistance Offices, Defense Attache Offices, and the Joint Special Operations Command Headquarters. In another major step, use of the polygraph as a tool to improve personnel security was extended. We will patiently continue efforts to try to develop greater understanding and acceptance of the polygraph as a means of detecting and deterring those who might jeopardize vital intelligence sources and methods. A new technical security policy was approved for the conduct and coordination of technical surveillance countermeasures in federal departments and agencies. The importance of technical security was underscored by a Community Security Committee study of the last



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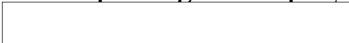
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In spite of initiatives to improve various facets of our defensive posture, we continue to face formidable challenges to protect our interests from the activities of hostile intelligence services. Among the most effective ways to meet these challenges is to control the presence, travel, and activities of hostile intelligence officers in the United States. There are over 4,000 diplomatic and commercial officials from Communist countries currently posted in the United States. The Soviet Union and its East European allies account for over 2,500 of these officials. 

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 In addition to these officials, we can expect to see more than 15,000 students and approximately 90,000 visitors from Communist countries each year. The trend over the past 10 years has been for these numbers to increase. 

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Accordingly, the President, in NSDD-196 and other directives, has approved a range of measures to exercise improved control over these individuals and their activities, as well as to reduce the presence of foreign service nationals present in our diplomatic facilities overseas. Moreover, measures have been directed to increase the awareness of government employees to the hostile intelligence threat. NSDD-197 now requires each government agency to develop security awareness programs and to develop procedures for reporting of employee contacts with foreign nationals from specified countries. 

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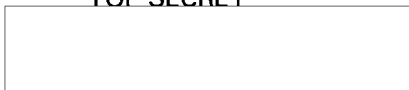
An NSC-chaired interagency task force has been formed to oversee the method, timing, and procedures for implementing these measures, as well as other counterintelligence and security improvements developed and forwarded through the SIG-I system.

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The SIG-I and its subordinate interagency groups for counterintelligence (IG/CI) and countermeasures (IG/CM) will continue to develop and coordinate the policy actions necessary to ensure the security and integrity of sensitive national activities.



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The several espionage cases in 1985 also showed that we need to tighten our personnel security procedures and to explore new methods to help identify potential spies and the behavioral factors that contribute to their actions. In this regard, the Community Security Committee sponsored a behavioral sciences symposium series for Community officers to discuss and refine proposals for research to enhance personnel security screening and selection. We also moved to provide advanced training to over 200 Community and contractor security officers in adjudication of investigative data, construction and maintenance of secure facilities for sensitive information, and security education.



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Finally, the public compromise of classified intelligence continued unabated in 1985. Seventy-four published unauthorized disclosures of intelligence sources and methods data were reported to the Security Committee, including disclosures of HUMINT, COMINT, ELINT, and imagery. Community officers briefed the Secretary of Defense, the Joint Chiefs of Staff, and the House Permanent Select Committee on Intelligence about the damaging effect of the compromises. We pressed for vigorous investigation of these disclosures, but more remains to be done to stop the hemorrhage that is damaging our ability to collect and produce information essential to our national security.



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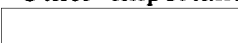
**FUNDING CONSTRAINTS**

After several years of markedly increased annual budgets that provided funds for much needed reconstruction of intelligence capabilities, the Community is moving into what gives every indication of being an era of very tight fiscal constraints. In real terms, the total NFIP Budget (after Gramm-Rudman-Hollings) declined by 1.6 percent from FY 1985 to FY 1986. And the President's NFIP budget request for FY 1987 is just under 3 percent above funding requested for FY 1986. Even without Gramm-Rudman-Hollings—the impact of which is still too early to assess completely—it appears inevitable that the Community is going to be faced with some very hard funding decisions.



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Fortunately, some of the very important and expensive collection and processing systems that the Community requires are already fully funded. Other important projects, however, are only partially funded or not yet funded at all.



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The National Foreign Intelligence Strategy recently provided to the Congress sets forth the basic course I believe we must follow:

“Overall, we believe that the best course of action is a strategy that preserves and enriches existing Community capabilities at the expense of undertaking new requirements. The Intelligence Community must be prepared to stop doing some things and not to take on others.”



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It is recognized that adapting to such a strategy will be far from easy. The world changes, new situations are created, new intelligence problems arise, and senior officials of our government expect intelligence support. But since the Community must adapt to what are expected to be severe limitations on new resources, it will have to assess its priorities carefully and focus its attention on what intelligence is truly important to US national security interests.



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