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STATEMENT

BY

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INTRODUCTION

Mr. Chairman, members of the committee. I appreciate the opportunity to discuss the broader subject of enhancing the Intelligence Community, as well as some of the 9/11 Commission recommendations.

I want to point out that what I will be saying represents my personal views, in that I am appearing before the President has made his final decisions on many of the important issues.

As members know, the President has reached a number of decisions that should improve the capabilities of the Intelligence Community:

- Establishment of a National Intelligence Director (NID).
- Creation of a National Counterterrorism Center (NCTC).
- Issuance of a number of Executive Orders that will implement other recommendations of the Commission, such as reform of the Intelligence Community's information sharing.

In addition, the President has called for substantial reform of Congressional oversight.

The way Congress decides to conduct its oversight certainly impacts the way the Executive Branch does its business. If we are to become more agile and flexible in fighting the war on terrorism and rapidly adjusting to meet new circumstances, the Congress will likely need to adjust its practices.

The President will continue to listen to the debate on the subject of intelligence reform. He will continue to take the counsel of a broad range of experts, including those who have written and/or testified before you and other Committees, on this important subject as he considers additional details relative to his proposals and frames new initiatives.

OBJECTIVES

The objective of Intelligence Community reform is to provide the Community with a renewal, to refashion it to succeed in this still new and different 21st century. Those objectives include:

- Improved indications and warning of impending events in enough time to anticipate them and permit effective action. This requires:
 - Aggressively breaking down the stovepipes within and between domestic, foreign, and military intelligence.
 - Integrating domestic intelligence into the intelligence community while providing for appropriate protection for civil liberties.
 - Authorizing and enabling appropriate intelligence users to access required intelligence data wherever it may reside.
- Improved analysis of the environment to reduce the likelihood of surprise, especially by terrorists. This requires:

- Developing an integrated and authoritative understanding of trends and events, at home and abroad, and whether and how they might evolve into threats to U.S. interests.
- Conducting “competitive analysis” within the offices of the NID and within and among departments and agencies, based on all source intelligence, seeking to avoid “group think” as recommended by the 9/11 Commission.
- Balancing the need for intelligence and warning against current threats in light of the need for longer-term strategic analysis.
- Improved ability to use intelligence to effectively deter, disrupt, defeat, and defend against attacks on U.S. interests, especially by terrorists. This requires:
 - Ensuring that departments and agencies charged with deterring and defending U.S. interests possess highly capable, all source intelligence capabilities commensurate with their mission.
 - Developing and executing integrated, joint responses by Executive Departments to effectively employ the instruments of national power appropriate to a task or mission.
 - Maintaining clear lines of authority and responsibility between the President and the heads of the Executive

Departments and those operational agencies.

- Improved process for setting national goals, priorities, missions, and requirements for the collection and analysis of intelligence. This requires:
 - A more integrated approach to setting these goals, priorities, missions, and requirements.
 - Enhancing the role of policy makers and intelligence analysts in this process; and
 - Ensuring that the process produces intelligence and capabilities to deter, defeat, and defend against adversaries, especially terrorists that are agile, flexible, and responsive.

THE NEED FOR A RENAISSANCE

Mr. Chairman, Members of the Committee, as you know, I come to this subject with a record of interest in the nation's intelligence capabilities.

When I appeared before your Committee, in January 2001, more than 3 ½ years ago, as the nominee to be Secretary of Defense, I was asked what subject kept me up at night.

I replied, without hesitation, "intelligence."

My prior experience as Chairman of two Congressionally mandated commissions – one on the ballistic missile threat to the U.S. and the other on

the organization and management of national security space – had impressed on me how difficult it is to acquire intelligence, convert it into useful information and then use it in support of operations.

In our global environment, adversaries can exploit international trade, finance, and communications to acquire expertise, technology and systems – often on the open market – with which they can do great harm to the American people and the nation's interests.

My concern back in 2001 was, and remains today, that a combination of terrorists and states that wish us harm, will exploit that global environment, and gain access to or develop weapons of mass destruction.

The efforts of the Intelligence Community to identify such threats in a timely and precise way that permit us to act decisively are frustrated by the reality that:

- Our adversaries are keenly aware of our vulnerabilities;
- They need to succeed only occasionally whereas we are obliged to defend against them everywhere and at all times;
- Through a combination of espionage against the U.S., irresponsible leaks, demarches, official disclosures and the general advance of scientific and technical knowledge, adversaries have learned far too much about how we collect, analyze, and use intelligence;

- Adversaries have many advantages in denying information to and deceiving intelligence analysts and policymakers alike about their capabilities and intentions; and
- As a result, they are capable of surprising us as well as friendly foreign countries.

This is the reality our country faces as we consider various proposals for improving the capabilities of the U.S. Intelligence Community to meet 21st century problems.

It is a reality borne out by the work of the 9/11 Commission and by the continuing review of intelligence prior to Operation Iraqi Freedom by the Senate Select Committee on Intelligence, as well as the good work done by this Committee, the House Armed Services Committee, the House Intelligence Committee, and other Committees of Congress.

In the face of this reality, and enlightened by the experience of the last 43 months, I come to this subject with a healthy respect for the magnitude of the task our country is tackling.

I also come to it with an adage in mind that I find useful: "To those who would tear down what is falls the responsibility of putting in place something better." I would remind that it is far easier to critique and find fault than it is to build.

HOW MIGHT THOSE RESULTS BE ACHIEVED

A variety of proposals for achieving the objectives I outlined have

been advanced.

My experience as Secretary of Defense and in the pharmaceutical and electronic industries persuades me that the attributes we seek in the Intelligence Community – imagination, intuition, and initiative – are best encouraged and developed by organizations wherein planning is centralized but the execution of plans is decentralized.

An Intelligence Community organized around areas of substantive expertise – for example, foreign, domestic and military intelligence – would possibly be more likely to generate, in a timely fashion, the indications and warning of crises and provide the intelligence support needed by the Executive Departments of government in the performance of their respective missions than is one organized around a single and preeminent national intelligence organization.

As some have suggested, organizing the U.S. Intelligence Community around the national collection agencies – NSA, NGA, and NRO – now located in the DoD, and aligning them under direct NID leadership, could conceivably lead to some efficiencies in some aspects of intelligence collection and some modest but indefinable improvement in the support those agencies provide to other elements of the government. At the same time, however, it is possible that by their sheer size and the broad extent of their activity, those collection agencies could come to form the “center of gravity” of the NID’s organization.

If a consolidation of the NSA, NGA, and NRO outside DoD were to be considered, we should be certain that it would help resolve the intelligence-related problems and difficulties we face and not create

additional problems. As an example of the latter, we wouldn't want to place new barriers or filters between the military Combatant Commanders and those agencies when they perform as combat support agencies. It would be a major step to separate these key agencies from the military Combatant Commanders, which are the major users of such capabilities.

With respect to solving problems that have been identified, my impression is that the technical collection agencies – NSA, NGA, and NRO – collect more than we can analyze today. This suggests we need more analysts and capability to process data.

It is also my impression that we must repair our HUMINT capabilities. They were especially hard hit in the budget cuts beginning in the early 1990s.

The President has not yet made a decision on these issues. He will undoubtedly continue to listen to the debate and take different views into consideration in reaching decisions. He has not ruled anything out.

It is my belief that any changes that are made to meet the objectives identified earlier need to focus on building an Intelligence Community for the 21st century along 21st century lines:

- networked and distributed centers of analysis within Executive Departments and agencies, with access to all available data,
- focused on employing instruments of collection wherever they reside as tools for exploring hypothesis and conducting alternative analysis,

- and, whose activities, priorities, and production schedules are directed by the NID.

This implies a NID with authority for:

- tasking collection assets across the government,
- setting analytic priorities and ensuring all source, competitive analyses throughout the Intelligence Community,
- the personnel management and training to alter the culture in the Community,
- information security and access policies,
- information technology standards and architectures across the community, and
- reallocating resources in the year of budget execution.

As I said, the precise extent of such authorities, and other issues, are under consideration by the President and the Congress. But an NID likely will need some authorities of this sort.

I have been asked about the Commission's recommendation for shifting paramilitary operations to DoD. We will give that recommendation careful consideration. This, like other recommendations, is complicated. The Executive and Legislative branches will need to be comfortable that any changes that might be made take account of the difference in the authorities and capabilities of the CIA and DoD and the changing needs of a President for access to a broad range of capabilities to meet the various challenges the

nation will be facing.

IMPLICATIONS FOR DOD

The Department of Defense seeks and welcomes changes in the way the nation does its intelligence business. It is greatly to the advantage of the U.S. Armed Forces that the Intelligence Community is better able to serve it and the other Executive Departments of the government, especially those associated with our nation's homeland security. If the government as a whole is better able to act in a timely fashion, the frequency and duration with which the men and women of our armed forces will be called for combat operations abroad might be reduced.

I believe DoD's experience with changing the way it does its business over the last decade, and especially since 2001, might help inform the proposals being offered to change the Intelligence Community.

For example, the Department, through the Services and the Combatant Commands, has worked hard to break down stovepipes between foreign and military intelligence that support DoD activities. The impetus for this effort was the lessons learned from Desert Storm. You may recall Gen. Schwarzkopf's disappointment with the timeliness, speed and scope of intelligence support to the operations he commanded.

The result of a decade's effort to establish a timely and seamless interaction between DoD and CIA activity has become apparent in Afghanistan, Iraq and in the ongoing war on terror. We are as well connected as we ever have been, but we're probably not as well stitched together as we could or should be; gaps and seams may still exist. But any

change to the Intelligence Community should be designed to help us close further those gaps and seams, not reopen them.

I hope that the change in the relationship between foreign and military intelligence and operations that has occurred since Desert Storm will be matched by similar changes between domestic and foreign intelligence as the result of any reform. I am sure much has been done since 9/11 to improve that relationship, but very likely more can and should be done.

Second, DoD is pursuing a network-based intelligence, operations, and communications capability to replace its hierarchical and serial practices. As part of this effort, the DoD is developing and deploying new sensors, communications systems and establishing new standards and protocols to permit the secure transmission of a high volume of classified and unclassified data and information at the lowest possible levels of operations. This will permit the armed forces to conduct highly decentralized operations in response to centralized direction.

This has enabled quicker decision-making, increased the prospect for immediate action in response to actionable intelligence, improved the precision of military operations and provided Combatant Commanders at all levels with far greater situational awareness. A similar approach to networks and decentralized execution within the Intelligence Community would likely yield for it similar results.

Third, as part of the effort to network its capabilities, DoD has tightened the connection between the operating forces and the combat support agencies – NSA, NGA, and NRO. I know Gen. Myers will say

more about this.

This connection has been crucial to improving the effectiveness and capabilities of the U.S. armed forces in combat against enemy conventional forces, unconventional forces, and terrorists.

We now have an opportunity to create government-wide networks that can strengthen the connection of the components of the Intelligence Community located in other Executive Departments – especially on the domestic side – to NSA, NGA, and NRO. Extending access to the network infrastructure DoD is already building to other Departments would help in this regard. The NID could well establish the standards and protocols governing the construction and use of the resulting networks for intelligence purposes.

OTHER CONSIDERATIONS

The 9/11 Commission has focused the nation's attention on questions related to strengthening the Intelligence Community. It would be unfortunate if we were to lose sight of the Commission's reflections on the nature of the world in which we live and the recommendations for the national security policies needed to protect and defend the nation and the American people.

In addition to the recommendations offered by the Commission, we could usefully consider the following:

1. Further improving U.S. domestic intelligence capabilities while preserving US civil liberties:

- As part of this initiative, appointing a bipartisan, blue-ribbon panel, not unlike the Minow Panel we set up in DoD, to look at the ways and means of enhancing our domestic intelligence capability, consistent with our laws and values, to help counter 21st century threats.

2. The President has been actively engaged in developing initiatives that engage peoples at risk to subversion by extremist ideologies. In no case is this more evident than his Broader Middle East Initiative. Those initiatives could be embraced by the Congress so that:

- Educational institutions abroad that emphasize religious toleration are supported, including provision of information technologies for schools
- Foreign scholarships and fellowships for exchanging American and foreign students and scholars are established to improve cultural understanding.
- Economic aid and assistance programs that utilize private-public partnerships are more widely developed to encourage small business development, banking sector development, and local infrastructure improvement, and to teach skills that workers will need in the 21st century.
- Private philanthropy and non-governmental groups are mobilized to promote the ideas and amplify those local voices that oppose

transnational terrorism and extremist ideologies, and provide counterweights to terrorist-related organizations.

3. Providing the Executive Branch with the necessary freedom to manage the 21st century war on terror:

- Congressional approval of the Administration's requests for funds for the Combatant Commanders use in the field to aid in humanitarian relief and reconstruction.
- Adoption of contracting rules to streamline contract awards while retaining appropriate oversight to the circumstances so that critical projects like equipping local security forces are not unduly delayed.
- A reexamination of "train and equip" authorities and missions to explore opportunities for improving the efficiency and effectiveness of such assistance programs.

4. Realigning and reorganizing the U.S. Government's functions and responsibilities to meet the challenges of the 21st century:

- Consider undertaking a fundamental re-look at the roles and missions of the US Government to meet the national security challenges of the 21st century. Consider developing a new National Security Act -- not simply another incremental update of the 1947 act. This new organizational design could be coupled to a Unified Executive Branch Plan, outlining responsibilities and assigning lead and supporting responsibilities among departments for national security tasks, as we do for military forces.

- Introduce Goldwater-Nichols type reforms to increase “jointness” across federal agencies. Consider establishing a National Security University (like National Defense University for the Department of Defense) to educate national security officials and an interagency training exercise process to build capacity for interagency crisis management and national security planning and operations.
- Establishment of a reserve force of civilians for a new Office of Stability and Reconstruction Operations in the Department of State, including incentives for service and commitments to train and deploy overseas when directed.
- Consideration of the creation of Joint Interagency Task Forces, led by statutory members of the NSC, to conduct integrated planning for the employment of all instruments of national power for particular missions (e.g., attacking/disrupting terrorist networks, protecting homeland, and engaging in ideological struggle).
- Consideration of the conduct an Interagency Roles and Missions Study to rationalize responsibilities and authorities across the U.S. Government to meet 21st century threats.

MOVING WITH DELIBERATE SPEED

In pursuit of strengthening our nation’s intelligence capabilities, I would offer a cautionary note. It is important that we move with all deliberate speed; however, moving too quickly risks enormous error, as this Committee has heard from former senior officials, military and civilians,

with broad experience in this matter. And we are considering these important matters while waging a war.

National security is not easily achieved in this new century. If we move too unwisely and get it wrong, the penalty will be great. The National Security Act of 1947 established the DoD. By 1958 it had undergone no fewer than 4 major statutory or organizational changes. Another round of major change was inaugurated with the Goldwater-Nichols Act in 1986. We shouldn't think intelligence reform will be completed at a stroke, either.

Intelligence is expensive. The Intelligence Community suffered substantial reductions in its budget in the last decade. Those reductions were made on the theory that, with the end of the Cold War, U.S. reliance on intelligence for security would not be as substantial as it had been. Events have proven otherwise. It was a mistake, and we are paying the penalty.

It was with that in mind that the President developed his "Strengthening Intelligence Initiative." It seeks to increase the number of HUMINT operators, linguists and analysts and provide them with needed infrastructure support. The first increment of funding for the initiative was included in the FY05 budget recently enacted by Congress. Between now and 2009 that initiative seeks to add thousands of personnel to the Intelligence Community. They are needed.

George Tenet and I worked over recent years to increase the numbers and capabilities of HUMINT operators in our respective areas of responsibility. More will need to be done in this area. But HUMINT operators are not created overnight.