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105TH CONGRESS
1st Session

SENATE

REPORT
105–1

COMMITTEE ACTIVITIES

SPECIAL REPORT

OF THE

SELECT COMMITTEE ON INTELLIGENCE
UNITED STATES SENATE

JANUARY 4, 1995 TO OCTOBER 3, 1996



JANUARY 22, 1997.—Ordered to be printed

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LETTER OF TRANSMITTAL

U.S. SENATE,
SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC, January 22, 1997.

DEAR MR. PRESIDENT: As Chairman and Vice Chairman of the Select Committee on Intelligence, we submit to the Senate the Report of the Senate Select Committee on Intelligence of its activities during the 104th Congress from January 4, 1995 to October 4, 1996 under the Chairmanship of Senator Arlen Specter and the Vice Chairmanship of Senator Bob Kerrey. The Committee is charged by the Senate with the responsibility of carrying out oversight of the intelligence activities of the United States. While the majority of its work is of necessity conducted it secrecy, the Committee believes that intelligence activities should be as accountable as possible to the public. This public report to the Senate is intended to contribute to that requirement.

Sincerely,

RICHARD SHELBY,
Chairman.
J. ROBERT KERREY,
Vice-Chairman.

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CONTENTS

PREFACE

	Page
I. Introduction	1
II. Legislation	4
Intelligence Budget	4
S. 922 Intelligence Authorization Act for Fiscal Year 1996	5
S. 1718 Intelligence Authorization Act for Fiscal Year 1997	5
Intelligence Renewal and Reform Act of 1996	6
The National Imagery and Mapping Agency	7
III. Arms Control	8
Chemical Weapons Convention	8
START II Treaty	9
IV. Counterintelligence	10
The Aldrich Ames Espionage Case	10
French Flap	11
Economic Espionage	12
Foreign Intelligence Surveillance Act	13
V. Counterterrorism	13
Terrorism Threat Overview	13
Khubar Towers and OPM–SANG Bombings	14
VI. Counterproliferation	15
Non-Proliferation	15
North Korean Weapons of Mass Destruction Programs	16
Long-Range Missile Threat	16
VII. Oversight Activities	17
National Security Threats to the United States	17
Intelligence Support to U.S. Efforts in Bosnia	18
Inquiry into U.S. Actions Regarding Iranian and Other Arms Transfers to the Bosnian Army	18
Congressional Notification of Foreign Policy Decisions	21
Persian Gulf Syndrome	22
Zona Rosa	22
Vietnamese Commandos	23
CIA/Contra/Cocaine Link	23
CIA Use of Journalists, Clergy, and Peace Corps Volunteers in Intelligence Operations	24
Guatemala	24
Intelligence Support to Law Enforcement	25
Congressional Notifications of Intelligence Activities	25
Airborne Reconnaissance	26
National Reconnaissance Office Carry Forward	26
Small Satellites	27
Convert Action	27
Encryption Export Policy	27
Security of the U.S. Information Infrastructure	28
Jane Doe Thompson Case	29
Oversight of the Intelligence Community Inspectors General	29
Organized Crime in the Former Soviet Union	30
Program Review and Audit Staff	30
VIII. Foreign Intelligence	31
North Korea	31
Iraq	32
Russia	32
China	32

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Page

Mexico 32
Economic Espionage 33
Environmental and Demographic Intelligence 33
Intelligence Sharing with the United Nations 34
IX. Confirmations 35
DCI John M. Deutch 35
DDCI George J. Tenet 35
X. Committee Internal Reforms and Enhancements 35
End of the Designee System 35
Term Limits 36
PolicyNet 36
Appendix 39
Summary of Committee Activities 39
Number of Meetings 39
Bills and Resolutions Originated by the Committee 39
Bills Referred to the Committee 39
Committee Publications 39
Memorandum of Agreement Regarding TIARA and JMIP 40

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105TH CONGRESS } SENATE { REPORT
1st Session } { 105–1

COMMITTEE ACTIVITIES

JANUARY 22, 1997.—Ordered to be printed

Mr. SHELBY, from the Select Committee on Intelligence, submitted the following

SPECIAL REPORT

I. INTRODUCTION

May 19, 1996 marked the twentieth anniversary of the creation of the Senate Select Committee on Intelligence. The Committee was established in 1976 by Senate Resolution 400 of the 94th Congress in order to strengthen congressional oversight of the programs and activities of U.S. intelligence agencies. Throughout its twenty-year history, the Committee has attempted to carry out its oversight responsibilities in a genuinely bipartisan fashion. During the 104th Congress, the Committee continued this bipartisan tradition in crafting important intelligence reform legislation, conducting several inquiries into intelligence community issues, and by providing funding for and oversight of a wide array of U.S. intelligence activities.

As part of its oversight responsibilities, the Committee performs an annual review of the budget and prepares legislation authorizing appropriations for the various civil and military agencies and departments comprising the Intelligence Community. The Committee also conducts periodic audits, investigations, and inspections of intelligence activities and programs with the goal of assuring that the appropriate departments and agencies of the United States provide informed and timely intelligence necessary for the executive and legislative branches to make sound decisions affecting the national security interests of the nation and that U.S. military commanders have dominant awareness of any potential battle environment. More importantly, the Committee's oversight seeks to ensure that intelligence activities and programs conform with the Constitution and laws of the United States of America.

The Intelligence Community developed after World War II with a central focus of providing United States civilian and military leadership with the intelligence necessary to conduct national security policy in our relationship with the Soviet Union. With the dis-

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solution of the U.S.S.R., and the accompanying loss of this overriding intelligence focus, the agencies and departments within the Intelligence Community have begun to redirect their efforts to the national security issues now confronting the United States or which may develop in the coming years. Further, the emergence and growth of transnational threats such as terrorism, narcotics trafficking, international criminal organizations, and the proliferation of weapons of mass destruction present our nation and the Intelligence Community with challenges requiring different doctrine, policy, and programs. With these new challenges and threats confronting our nation comes an increasing need for the oversight provided by the Committee to ensure our nation's leaders have the intelligence necessary to make informed national security decisions.

To address the intelligence challenges of the post-Cold War world, the Select Committee on Intelligence made intelligence reform legislation a major focus in the Fiscal Year 1997 Intelligence Authorization bill. The Intelligence Renewal and Reform Act of 1996 included a number of substantial provisions which will make the Intelligence Community more effective, more efficient, and more accountable for its actions. The Committee succeeded in including these provisions in the authorization bill passed by Congress, and President Clinton signed these reforms into law on October 11, 1996.

These reforms included the creation of two new committees of the National Security Council, the Committee on Foreign Intelligence and the Committee on Transnational Threats; the establishment of a new Senate-confirmed Deputy Director of Central Intelligence for Community Management and three new Assistant Directors of Central Intelligence to assist the DCI in managing the Intelligence Community; new authority for the Director of Central Intelligence to concur to be consulted with respect to the appointments of the heads of the principal National Foreign Intelligence Program (NFIP) agencies; strengthening the ability of the Director of Central Intelligence to manage the Intelligence Community by codifying his authority to participate in the development of the budgets for defense-wide and tactical intelligence; giving the DCI a database of all intelligence activities and requiring all NFIP elements to submit periodic budget execution reports; clarifying that U.S. law enforcement agencies may "task" intelligence collection agencies to collect intelligence about non-U.S. persons outside the United States to enable CIA, NSA, and other collection agencies to better support law enforcement efforts; and the requirement that the DCI submit to the Committee on Foreign Intelligence and the appropriate congressional committees an evaluation of the performance and responsiveness of the NSA, NRO, and NIMA in meeting their national missions.

During the 104th Congress, the Committee continued its investigation into the Aldrich Ames espionage case by reviewing reports and holding hearings and briefings regarding assessments on the damage done to U.S. national security interests by Ames's activities. The Committee identified the failure of the CIA to validate information received from Russian sources, especially after the execution of several Russian assets Ames had compromised. As a result, the CIA has improved its counterintelligence efforts, is engaged in

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additional damage assessment efforts, and has revamped its procedures for dissemination of reporting from sensitive assets. The Committee also convinced the Department of Defense and the Department of State to conduct their own damage assessments. While preliminary damage assessments of the reports from tainted sources have been received from the Department of State and Defense, the Committee continues to monitor new findings on how the Ames case has affected U.S. intelligence and counterintelligence efforts.

The conflict in Bosnia and U.S. policy in the region were the focus of substantial Committee activity during the 104th Congress. The Committee held numerous hearings and briefings on intelligence community support to the deployed Americans forces and the investigation into war crimes in Bosnia. with the signing of the Dayton Peace Accords and the introduction of U.S. ground troops into Bosnia as part of the Implementation Force (IFOR), the Committee conducted an extensive review of intelligence support to U.S. military forces in Bosnian theater. This effort supplemented the Committee's continuing oversight of the adequacy of intelligence support to U.S. government efforts in the former Yugoslavia.

The Committee in early 1996 began an inquiry into U.S. actions regarding Iranian and other arms shipments to the Bosnian Army after press reports revealed that the Clinton Administration had secretly decided not to intervene against these violations of the arms embargo. The Committee held three public hearings, four closed hearings, and six informal sessions on this subject. While it did not reach a conclusion as to whether the actions of U.S. officials constituted covert action, the Committee did find that the Clinton Administration should have communicated such a significant policy change to Congress. The Committee also found three areas in which administrative or legislative actions appeared to be required.

During the 104th Congress, the Committee conducted an investigation of CIA activities in Guatemala, focusing on the 1990 murder of American citizen Michael DeVine and the death of Guatemala guerrilla Efrain Bamaca Velasquez. This review focused on allegations of CIA misconduct in the events surrounding the DeVine murder and the fate of Efrain Bamaca. The Committee also looked at accusations that the CIA funded intelligence programs in Guatemala in contravention of U.S. policy. In 1995, the CIA Inspector General completed an investigation into CIA operations in Guatemala. As a result of these inquiries, DCI John Deutch disciplined a number of CIA personnel involved with operations in Guatemala.

The Committee held a number of briefings regarding proposed legislation liberalizing the export of encryption products and its likely impact on national security interests. To provide the Senate with further information on this legislation, the Committee took the lead in arranging a classified briefing that provided all interested Senators the opportunity to directly question the DCI, the Director of the FBI, and the Deputy Attorney General, all of whom play pivotal roles in the development and implementation of Administration encryption export policy. As the Administration's encryption policy continues to develop, the Committee will continue

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to assess how changes will affect the collection and protection of national security information.

The Committee held a total of 131 hearings or on-the-record briefings, including thirty open hearings, seventy-nine oversight hearings, eighteen legislative hearings, five nomination hearings, seventeen Committee business or legislative mark-up meetings, and twelve on-the-record briefings. The unprecedented number of hearings, meetings, and briefings held by the Committee reflects its charter to oversee the wide range of national security issues confronting our nation. Further, by holding thirty open hearings, the Committee more than ever before has provided the American public a greater awareness of the role of intelligence in the formation of our national security policy and the role of congressional oversight of this process while, in the process, protecting intelligence sources and methods.

II. LEGISLATION

A. INTELLIGENCE BUDGET

The Committee conducted annual reviews of the fiscal year 1996 and fiscal year 1997 budget requests for the DCI's National Foreign Intelligence Program (NFIP). These reviews included taking testimony from senior Intelligence Community officials and evaluating detailed budget justification documents and numerous Intelligence Community responses to specific questions raised by the Committee. As a result of these reviews, the Committee made recommendations, approved by the Senate, that resulted in net reductions to the Administration's funding requests for national intelligence.

During this period the Committee also took action to reduce excess authorized and appropriated funds that had accumulated in the budget of the National Reconnaissance Office (NRO). The Committee concurred with an initiative by the Defense Subcommittee of the Appropriations Committee in fiscal year 1996 to reduce available NRO funds by $1.2 billion, and with a later Administration request to rescind $820 million of NRO funds to pay for Bosnia operations.

As a result, when the $2 billion excess NRO forward funds that were rescinded or reprogrammed are taken into account, NFIP funding is now 13% lower in real terms than it was in fiscal year 1990, and at its lowest level since fiscal year 1985.

The Committee also reviewed the Administration's fiscal year 1996 and fiscal year 1997 requests for Tactical Intelligence and Related Activities (TIARA) and a new intelligence funding category, the Joint Military Intelligence Program (JMIP). The Committee's review of TIARA, which falls under the jurisdiction of the Armed Services Committee, has been in the form of separate letter-recommendations to that committee for consideration in the Defense Authorization bill. However, the new intelligence program—JMIP—contained activities that formerly had been funded in NFIP as well as TIARA, resulting in a jurisdictional dispute between the two committees. Discussions resulted in an April 29, 1996 Memorandum of Agreement (see Appendix D) between the two committees which allows for a defined and formal role for the intelligence

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committee in the oversight of TIARA and JMIP while acknowledging that the Armed Services Committee has authorization jurisdiction over both programs.

B. S. 922 INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1996

On June 14, 1995, the Committee reported out S. 922, the Intelligence Authorization Act for Fiscal Year 1996. In addition to providing the annual authorization for appropriations for intelligence activities, the bill, inter alia, authorized the President to delay imposing sanctions against countries engaged in weapons proliferation in order to protect intelligence sources and methods; provided for forfeiture of the Government's contribution to an employee's Thrift Savings Plan for those employees convicted of national security offenses; amended the Hatch Act to allow intelligence community employees to participate more actively in certain local elections; and amended the Fair Credit Reporting Act to permit the FBI to obtain consumer credit records necessary in foreign counterintelligence investigations.

The Senate passed S. 922 on September 29, 1995 and agreed to the conference report on the House counterpart bill on December 21, 1995. The President signed the legislation as Public Law 104–93 on January 6, 1996.

C. S. 1718 INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1997

The Committee reported out S. 1718, the Intelligence Authorization Act for Fiscal Year 1997, on April 30, 1996. The full Senate passed the bill on September 17 and approved the conference report on the legislation on September 25. The authorization act was signed by the President as Public Law 104–293 on October 11, 1996.

The Fiscal Year 1997 Authorization Act included a number of significant legislative provisions in addition to the annual authorization of appropriations. In particular, Title VIII of the Act, short-titled the "Intelligence Renewal and Reform Act of 1996," contained provisions (described below) intended to improve the operation of the Intelligence Community in the post-Cold War world.

Other provisions in the Fiscal Year 1997 Act provided for expedited naturalization for families of U.S. intelligence assets killed as a result of unauthorized disclosures by U.S. officials (such as convicted spy Aldrich Ames); placed restrictions on intelligence-sharing with the United Nations so as to protect against unauthorized disclosure of such information; provided that it is U.S. policy not to use U.S. journalists as intelligence assets unless the President or DCI waives this policy in a particular case and notifies the intelligence committees of Congress; required the DCI to issue guidelines prohibiting some former CIA employees from working for a foreign government for a period of three years after leaving the CIA; and created a commission to study the organization of the federal government to combat proliferation of weapons of mass destruction.

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D. INTELLIGENCE RENEWAL AND REFORM ACT OF 1996

During the second session of the 104th Congress, the Committee focused much of its attention on consideration and passage of legislation to make the Intelligence Community operate more efficiently, more effectively, and more accountably in the post-Cold War world. Begun in the early 1990s, these efforts were spurred by a perception among many members of Congress and the public that the thirteen-agency Community had lost its focus after the Cold War and needed better guidance and direction.

The Committee held six hearings and three member-level briefings on intelligence reorganization and reform proposals. The twenty-six witnesses included former DCIs Webster, Turner, and Woolsey; former Committee Chairmen Durenberger, Deconcini, and Moynihan; and a broad array of intelligence consumers and academic observers. Committee staff also conducted numerous interviews with current and former intelligence professionals and other knowledgeable individuals.

On March 1, 1996, the Committee received the report of the Commission on the Roles and Capabilities of the U.S. Intelligence Community, the 17-member independent commission that Congress had created in 1994 to study the Intelligence Community. On March 6, after receiving testimony from the Commission's Chairman, Harold Brown, Chairman Specter and Vice Chairman Kerrey introduced S. 1593, which contained the legislative recommendations of the Commission.

The Committee included its own renewal and reform legislation as part of the Intelligence Authorization Act for Fiscal Year 1997. The Committee's legislation built on the recommendations of the Brown Commission but went further in a number of significant respects.

A number of the provisions in the Committee's bill that would have enhanced the authorities of the Director of Central Intelligence were resisted strongly by the Department of Defense, which viewed these provisions as reducing the Secretary of Defense's control over defense intelligence agencies. After extended discussions with the Senate Armed Services Committee, the Committee agreed to drop or modify several of these measures.

In its final form, the legislation provided the DCI new authorities and a new management structure to manage the Intelligence Community. The legislation amended the National Security Act of 1947 to create a new Senate-confirmed Deputy Director of Central Intelligence for Community Management and three new Senate-confirmed Assistant Directors of Central Intelligence to oversee collection, analysis, and administrative functions across the Community. In addition, the Secretary of Defense will be required to secure the DCI's concurrence in the appointments of the heads of the NSA, NRO, and the new National Imagery and Mapping Agency (NIMA) or to inform the President of the DCI's non-concurrence when recommending persons for appointment to those positions, and to be consulted regarding the appointments of the heads of the principal departmental intelligence units. He will also submit to the Committee on Foreign Intelligence and the appropriate congressional committees an evaluation of the performance and responsiveness of

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the NSA, NRO, and NIMA in meeting the needs of national policymakers.

A number of provisions were included to help improve budgetary controls throughout the Intelligence Community. By codifying his authority to participate in the development of the budgets for defense-wide and tactical intelligence, this Act strengthens the ability of the Director of Central Intelligence to manage the Intelligence Community's resources. Other provisions call for the creation of a budget database of all intelligence activities and require that all NFIP elements submit periodic budget execution reports to improve financial oversight.

In response to the growing transnational threat to the national security, the Act contained a provision clarifying the authority of U.S. law enforcement agencies to task intelligence collection agencies to collect information about non-U.S. persons outside the United States. This provision will enable the CIA, NSA, and other collection agencies to better support law enforcement efforts.

The legislation also established two new cabinet-level committees of the National Security Council: a Committee on Foreign Intelligence to provide overall policy and resource guidance for the Intelligence Community; and a Committee on Transnational Threats to direct the various activities of the federal government in fighting terrorism, international narcotics trafficking, and other global crimes.

Although the final legislation did not include all of the provisions the Committee would have liked to have enacted, the Committee believes that the DCI has been given important new tools to help manage the Intelligence Community more efficiently and more effectively.

E. THE NATIONAL IMAGERY AND MAPPING AGENCY

In December 1995, the DCI, the Secretary of Defense, and the Chairman of the Joint Chiefs of Staff proposed the establishment of a new National Imagery and Mapping Agency (NIMA) within the Department of Defense. NIMA was created to provide an agency with broad authorities for the tasking, collection, and dissemination of imagery and imagery products; production and dissemination of imagery intelligence and geospatial information; programming and budgeting; the conduct of associated research and development; and, the acquisition of common systems. The Central Imagery Office, the Defense Mapping Agency, the National Photographic Interpretation Center, the DIA's imagery exploitation element, the Air Force's Defense Dissemination Program Office (DDPO), and several other imagery-related offices have now all been consolidated into NIMA.

NIMA will have over 9,000 employees and manage approximately 25 percent of the imagery and geospatial information activities contained in the U.S. Defense and Intelligence programs. It will also review the plans, budgets, and acquisitions for the remaining 75 percent of the U.S. imagery system to assure compliance with policy and data standards and architectures.

The Committee included legislative provisions to establish NIMA in the Fiscal Year 1997 Intelligence Authorization bill. A more comprehensive legislative framework was subsequently included by the

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Armed Services Committee in the Fiscal Year 1997 National Defense Authorization bill, and accordingly the Committee agreed to delete the provisions relating to NIMA from its bill. At the same time, the Committee amended provisions in the Defense bill to ensure that the interests of national policymakers are served by NIMA. The Committee's amendments codified the DCI's tasking authority over national imagery assets, provided that the Director of NIMA could be either a civilian or an military officer, stipulated the Secretary of Defense must obtain the concurrence of the DCI, or note the DCI's lack of concurrence, before making a nomination recommendation to the President, and included language in the National Security Act, Title 50 of the U.S. Code, stating NIMA's responsibility to provide intelligence for the national policymaker. The legislation creating the National Imagery and Mapping Agency was signed into law by President Clinton on September 23, 1996.

III. Arms Control

A. CHEMICAL WEAPONS CONVENTION

In order to assist the full Senate in its consideration of whether to advise and consent to the ratification of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC), the Committee in 1994 undertook a thorough review of the ability of the U.S. Intelligence Community to monitor compliance by states party to the CWC.

In particular, the Committee examined issues surrounding the monitoring effectiveness of the U.S. Government's unilateral resources and the CWC's on-site inspection regime; the interpretation and implementation of the CWC, including its three annexes; the counterintelligence and security implications of the CWC; and the implications of the CWC for private companies, in light of the obligations imposed on such companies to provide data declarations and to host on-site inspections.

The Intelligence Community told the Committee in 1994 that the CWC will provide another tool in the U.S. inventory of means to circumscribe and stem the worldwide expansion of chemical weapons capabilities and to assist in monitoring chemical weapons programs worldwide. This point has been reiterated to the Committee during additional staff briefings on the CWC during the 104th Congress.

The Committee's public report to the Senate (Senate Report 103–390) was approved by a vote of sixteen members in favor and none opposed. The Committee's report was provided to the Senate in anticipation of action on the CWC. However, no Senate action was taken with regard to the CWC in the 103rd Congress.

In anticipation of Senate consideration of the CWC during the second session of the 104th Congress, the Committee staff reviewed developments over the last two years to determine whether any changes or updating of the Committee's 1994 report were in order, and determined that its findings and recommendations in the 1994 report with respect to the ability of U.S. intelligence to monitor compliance by states party to the CWC remained substantially valid, and, thus, no new report was in order.

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The 1994 Committee report to the Senate contained fourteen recommendations. In recommendations 1, 6, and 7, the Committee proposed that certain conditions and declarations be incorporated in the resolution of ratification and the CWC implementing legislation. Recommendations 2, 3, and 10 were put forward as the basis for additional declarations in the resolution of ratification. The great majority of those recommendations were incorporated in the resolution of ratification reported favorably by the Committee on Foreign Relations to the Senate in April 1996. However, the 104th Congress adjourned without acting on the Chemical Weapons Convention. The Committee will continue to review the CWC and issues surrounding the treaty in anticipation of its consideration during the 105th Congress.

B. START II TREATY

The Committee prepared an unclassified as well as a classified report totalling over 100 pages during the 104th Congress to provide the Senate its assessment of the arms control monitoring and counterintelligence issues raised by the START II Treaty.

This report was the culmination of the Committee's work over some thirteen years monitoring the progress of the START negotiations. The Committee routinely reviewed START progress and addressed START monitoring capabilities in its annual Intelligence Authorization Acts. Committee members and staff met numerous times with U.S. negotiators, in both Washington and Geneva. The Committee expressed its views on verification issues to the negotiators and to other senior level officials both formally and informally.

In preparation for the Senate vote on advice and consent to ratification of the START II Treaty, Committee staff held numerous staff briefings; reviewed hundreds of documents, including National Intelligence Estimates of U.S. capabilities to monitor compliance with START provisions and written statements from the Director and Deputy Director of Central Intelligence; and asked numerous formal questions for the record. Committee staff also travelled to intelligence collection sites to gain a more detailed, first-hand knowledge of how the Intelligence Community collects, and how its analysts use, information bearing upon other countries' compliance with arms control agreements signed by the United States.

On May 12, 1993, the Committee held a closed hearing on the START II Treaty, its implementation and its counterintelligence and security implications. Testimony was taken at this hearing from the Honorable Linton Brooks, U.S. Negotiator for Strategic Offensive Arms; Major General Gary Curtin, USAF, Deputy Director for International Negotiations, J–5, the Joint Staff; and Dr. Lawrence Gershwin, National Intelligence Officer for Strategic Programs.

On March 1, 1995, the Committee held a closed hearing on U.S. monitoring capabilities and the risks and implications of violations by the other party to the Treaty. At this hearing, the Committee took testimony from Mr. Douglas MacEachin, Deputy Director for Intelligence, Central Intelligence Agency; Ambassador Linton Brooks, Chief U.S. START Negotiator; and Dr. Amy Sands, Assist-

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ant Director, Bureau of Intelligence, Verification and Information Support, U.S. Arms Control and Disarmament Agency.

The Committee also received numerous responses to questions for the record that were submitted to the Executive branch after these hearings, and the results of these inquiries were integrated into its report. Throughout the Committee's efforts, experts in the U.S. Intelligence Community produced a detailed and honest analysis of the strengths and limitations of U.S. monitoring capabilities, in 1993, and an update of this and a related analysis in 1995. The Committee was especially pleased to find in these analyses a straightforward discussion of the differences between agencies on some major issues.

As is the case with START I monitoring, the United States will rely upon a combination of capabilities—including imagery, signals intelligence, human intelligence, open-source information and the verification provisions of the START I and START II Treaties—to monitor compliance with the provisions of START II. Those verification provisions include on-site inspections, exhibitions of equipment for either on-site or satellite-based observation, perimeter and portal continuous monitoring (PPCM), notifications, unencrypted telemetry, and exchanges of data, including telemetry. The Intelligence Community assesses a high probability of detecting questionable activity that might be contrary to the Treaty.

The Committee agreed with the Intelligence Community that U.S. reconnaissance assets are generally sufficient to monitor compliance with both START Treaties. Congress endeavored to maintain and enhance those capabilities in the intelligence budget for Fiscal Year 1996, as well as in past years. The Committee is concerned, however, that U.S. capabilities could be insufficient if competition for scarce collection and analytic resources were intense and if Russian practices were to change in ways designed to impede U.S. monitoring. The Committee recommended that the President be required to certify the sufficiency of U.S. monitoring capabilities regarding those START II provisions relating to ICBM and SLBM capabilities and to report to Congress on how such sufficiency will be assured. The Committee also urged the Executive branch to pursue a firm policy regarding Russian actions that may violate the terms of START I or START II, including the verification provisions of those Treaties. The majority of the Committee's recommendations were incorporated into the resolution of ratification accompanying the Treaty.

The Senate ratified the START II Treaty by a vote of 87–4 on January 26, 1996.

IV. COUNTERINTELLIGENCE

A. THE ALDRICH AMES ESPIONAGE CASE

During the 104th Congress, the Committee continued its inquiry into the Aldrich Ames espionage case. The Committee held five hearings to review the Intelligence Community's continuing investigation into this case and its assessment of damage caused by Mr. Ames' actions. Although the true damage resulting from Ames' disclosures may not be known for years and may in fact never be known, the analysis completed to date suggests that the Russians

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and perhaps other countries' intelligence agencies know detailed information about United States intelligence gathering, analysis, dissemination, and decision-making structure, and that for years the KGB/SVR controlled raw information that flowed to the CIA and that was passed on to high-level U.S. consumers at the policy level, including President Bush and President-elect Clinton.

As part of the CIA's responsibility to keep the intelligence committees "fully and currently informed of * * * any significant intelligence failure," CIA Inspector General Fred Hitz completed an investigation on the assessment of damage caused by the Aldrich Ames espionage case in October 1995. This investigation revealed the failure of the CIA to validate information received from Russian sources, even after the execution of several Russian assets compromised by Ames. The CIA appears to have done little to verify whether or not the information being provided by Soviet/Russian sources was truthful or part of a Russian perception management campaign. Further, the CIA Directorate of Operations either failed to inform or misinformed consumers and policymakers about reporting known or suspected to be under hostile control. This failure to inform was carried out despite CIA suspicions regarding tainted sources as early as 1986 when the Soviet agents identified by Ames were being arrested and executed, and despite a March 1991 report on the Soviet/East European (SE) Division in which the CIA Inspector General (IG) made a number of important comments and suggestions regarding SE Division counterintelligence shortcomings.

As a result of the CIA IG investigation and its revelations of tainted intelligence reporting, the Department of State and the Department of Defense completed preliminary studies which concluded these reports had played no significant role in any policy, doctrinal, or budgetary decisions. The Committee will continue to investigate the ramifications of Ames's treason as other evidence comes to light and further analysis is completed.

B. FRENCH FLAP

In early 1995, French officials made detailed allegations regarding CIA intelligence activities in France. Although the timing and nature of these allegations were possibly the result of French internal political considerations, the resulting uproar led the Committee to conduct a review covering a wide-range of issues related to counterintelligence and economic intelligence. As part of this review, the Committee requested that the CIA Inspector General (IG) conduct an investigation into what became known as the "French Flap," and provide recommendations for corrective measures, if appropriate.

The Committee received the CIA Inspector General Report in March 1996. Shortly after this report was received by the Committee, DCI John Deutch provided the Committee a list of his actions to correct the operational and management deficiencies identified in the IG Report. In April 1996, the DCI provided the Committee a letter summarizing his actions related to issues of individual accountability connected to the report's findings. These actions included disciplinary action against involved CIA officials and the formulation of guidelines regarding economic intelligence. The

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Committee is continuing to monitor the implementation of the DCI's actions.

C. ECONOMIC ESPIONAGE

Due to the importance attached to maintaining U.S. economic competitiveness, current U.S. policy is to treat foreign threats to our economic well-being as a national security issue. In this regard, the February 1995 White House National Security Strategy focused on economic security as a national security priority and identified economic revitalization as one of the three central goals of the United States. Secretary of State Warren Christopher has stated in testimony before the Senate Foreign Relations Committee that, "In the post-Cold War world, our national security is inseparable from our economic security."

Economic espionage by foreign governments targeting U.S. industry and innovation is an issue of tremendous importance to our national security and is one the Committee has been examining for some time. The Committee held a number of hearings and briefings during the 104th Congress which addressed this issue and has met extensively with the intelligence and law enforcement communities during this time. In 1992, then-Director of Central Intelligence Robert M. Gates told the committee: "We know that some foreign intelligence services have turned from politics to economics and that the United States is their prime target." According to the CIA, in written response to additional questions from the Committee's February 22, 1996 hearing on Current and Projected National Security Threats to the United States and its Interests Abroad (S. Hrg. 104–510),

> CIC [the Intelligence Community's Counterintelligence Center] has narrowly defined economic espionage to include a government-directed or orchestrated clandestine effort to collect U.S. economic secrets or proprietary information. We do not characterize as economic espionage legitimate information gathering activities by a foreign government or foreign corporation, even if carried out aggressively and skillfully. We see government-orchestrated theft of U.S. corporate S&T data as the type of espionage that poses the greatest threat to U.S. economic competitiveness. We have only identified about a half dozen governments that we believe have extensively engaged in economic espionage as we define it. These governments include France, Israel, China, Russia, Iran, and Cuba.

In order to address this growing threat, the Committee was instrumental in passing legislation to criminalize foreign government-sponsored economic espionage. Working closely on a bipartisan basis with the Administration and the House and Senate Judiciary Committees, as well as with industry, academia, and others, the Committee was able to forge a consensus on this important legislative measure after a year and half of discussions and negotiations.

Provisions criminalizing foreign government-sponsored economic espionage were originally included in the Fiscal Year 1997 Intelligence Authorization bill, reported by the Committee in April

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1996. They were subsequently dropped from the authorization bill and included as part of the broader Economic Espionage Act of 1996, which covers theft of trade secrets by any person as well as foreign-sponsored economic espionage.

The final version of the economic espionage legislation makes it a federal crime (to be codified at 18 U.S.C. 1831) to steal, alter, or misappropriate a trade secret knowing that such offense will benefit a foreign government, instrumentality, or foreign agent. Individuals convicted of economic espionage may be imprisoned for up to 15 years and/or fined up to $500,000; organizations may be fined up to $10,000,000.

The President signed the Economic Espionage Act of 1996 into law on October 11, 1996.

D. FOREIGN INTELLIGENCE SURVEILLANCE ACT

During the 104th Congress, the Committee conducted a comprehensive review of the Intelligence Community's policy on electronic surveillance and physical search for intelligence and counterintelligence within the United States and its implementation of these guidelines. The Foreign Intelligence Surveillance Act of 1978 ("FISA"), 50 *United States Code* §1801 *et seq.*, established comprehensive legal standards and procedures for the use of electronic surveillance to collect foreign intelligence and counter-intelligence within the United States. The Act provided the first legislative authorization for wiretapping and other forms of electronic surveillance for intelligence purposes against foreign powers and foreign agents in this country. It created the Foreign Intelligence Surveillance Court ("FISC"), composed of seven federal district judges, to review and approve surveillance capable of monitoring United States persons who are in the United States. As the Act was amended in 1994 to provide for limited physical search authority, the Committee's study placed special emphasis upon the use of the new authority to conduct physical searches.

The Committee review included travel to key FBI field sites to review actual use of the FISA authority, as well as tracking of the FISA process through the budget cycle to ascertain the sustained attention that certain relevant budgetary issues receive. While interviews were undertaken with the Chief Judge of the FISC and with the United States Attorney General credited with assuring passage of the original FISA legislation in 1978, and briefing were conducted with the Justice Department and other key participants in the process, the review was focused almost entirely upon actual cases. The cases reviewed were traced from their inception as counterintelligence matters, with attention placed upon the sufficiency of review and upon issues of fundamental fairness toward targets of the FISA coverage. The review was still being undertaken at the conclusion of the 104th Congress and will likely be completed during the 105th Congress.

V. COUNTERTERRORISM:

A. TERRORISM THREAT OVERVIEW

In 1995 and 1996 the people of the United States were shocked by bombings in Oklahoma City and at Atlanta's Centennial Olym-

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pic Park, and by attacks against U.S. diplomats in Pakistan and U.S. military personnel in Saudi Arabia. In the 104th Congress the Committee held eight hearings, both open and closed, on terrorism. The Committee has given special attention to the terrorist threat in Saudi Arabia and intelligence support to the military deployed in the Middle East. The Committee received testimony from Secretary of Defense William J. Perry, DCI John Deutch, FBI Director Louis Freeh, numerous other Administration officials, academicians and other experts.

Through these hearings the Committee received an assessment of the worldwide terrorist threat and the particular threat in the Middle East, including an analysis of the size, organization, capabilities, state sponsorship and interlocking ties of terrorist groups. These hearings also explored the collection posture of the U.S. Intelligence Community vis-a-vis international terrorism and the adequacy of existing resources.

In the wake of the bombings in Saudi Arabia, Secretary of Defense William Perry testified before the Committee regarding the situation in Saudi Arabia. These tragedies and his testimony concentrated the Committee's attention on the issue of intelligence support to the military for force protection. The Committee continues to evaluate how well the relationship between the Intelligence Community and the military commanders is working and what the Intelligence Community can do to better support this critical requirement.

Shortly before the 104th Congress completed its work, the Administration asked for an increase in authorized funds and personnel for fiscal year 1997 for Intelligence Community counterterrorism programs. These increases were sought as part of a larger Administration initiative to enhance U.S. Government counterterrorism capabilities. The Committee supported this request by modifying the Schedule of Authorization contained in the report of the Committee of Conference for the Intelligence Authorization Act for Fiscal Year 1997 to reflect the requested increases in dollars and civilian positions.

The Committee will continue to search for ways to enhance the capability of the Intelligence Community to collect against terrorist groups and to ensure the adequacy of the resources devoted to this target.

B. KHUBAR TOWERS AND OPM-SANG BOMBINGS

On June 25, 1996, at approximately 10:00 p.m. local time, an explosion shook the Khubar Towers housing compound in Dhahran, Saudi Arabia. The blast killed 19 American military service personnel and at least one Saudi civilian, wounded more than 200 Americans and injured hundreds of other civilians. At the time, the Khubar Towers complex was home for the airmen of the U.S. Air Force's 4404th Fighter Wing (Provisional), under the operational command of U.S. Central Command (USCENTCOM), who were participating in the United Nations effort to enforce the "no-fly" zone in southern Iraq. The attack at Khubar Towers was the second major terrorist incident directed at U.S. interests, and U.S. military presence specifically, in Saudi Arabia in less than a year. On November 13, 1995, a car bomb containing approximately 250

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pounds of explosives detonated outside the headquarters of the Office of the Program Manager of the Saudi Arabian National Guard (OPM–SANG) in Riyadh. The building was used by American military forces as a training facility for Saudi military personnel. Five Americans died and 34 were wounded in this attack.

The staff of the Senate Select Committee on Intelligence conducted a preliminary inquiry into the adequacy of the Intelligence Community's collection, analysis and dissemination of intelligence concerning terrorist threats in Saudi Arabia prior to the OPM–SANG and Khubar Towers bombings to determine whether a significant intelligence failure had occurred. The Committee staff reviewed intelligence reporting produced from late 1994 through June 1996. These products included reports from the Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, the State Department and others. During the inquiry, Committee staff also interviewed field commanders and military personnel who played a critical force protection and security role just prior to and immediately after the blast. The staff also interviewed the FBI lead investigator on the scene in Dhahran, as well as top-ranking Intelligence Community personnel.

As part of this inquiry, Chairman Arlen Specter and staff traveled to Dhahran, Riyadh, and Jeddah, Saudi Arabia and other Middle East countries in August 1996. During this trip the Committee interviewed individuals in the Intelligence Community, the Defense Department, and the State Department. Senator Specter and staff also met with Saudi Crown Prince Abdullah and Defense Minister Sultan while in Jeddah, as well as with other Middle East leaders with unique insight into terrorist activity in the region such as Prime Minister Netanyahu of Israel, President Assad of Syria, and President Arafat of the Palestinian Authority.

The Committee held several hearings focusing on terrorism, the situation in Saudi Arabia, and intelligence support to the military in the region. The available information led Chairman Specter to issue a report stating that the U.S. Intelligence Community provided sufficient information not only to suggest active terrorist targeting of U.S. personnel and facilities, but also to predict likely terrorist targets (of which OPM–SANG and Khubar Towers were among the most probable). Further, having concluded that the DCI was fully cognizant of and attentive to the force protection issues in the Eastern Province prior to the June 25 attack, and that consecutive DCIs ensured that this force protection information was disseminated to proper Defense Department recipients, Chairman Specter concluded that an intelligence failure did not occur.

VI. COUNTERPROLIFERATION

A. NON-PROLIFERATION

The Committee continued in the 104th Congress the high priority that it has accorded over the years to the need to counter the proliferation of weapons of mass destruction (WMD). The Committee's concern extends to nuclear, chemical and biological weapons, as well as long-range delivery systems for such weapons. In the 104th Congress, as in past years, the Committee added funds to

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the intelligence budget to better equip U.S. policy makers to understand and combat this major threat to U.S. national security.

The Committee held a closed hearing in 1995 on the capability of U.S. intelligence to meet policy makers' needs in this field. Another closed hearing in 1995 focused on Iran, including the status of that country's WMD programs. On March 13, 1996, the Committee held a public hearing on the threat that weapons of mass destruction might be used in terrorist attacks in the United States or against U.S. interests (especially in light of the Aum Shinrikyo group's release of lethal chemical agents in the Tokyo subway). Also in 1996, the Committee received closed briefings on Chinese involvement in weapons proliferation, notably including its sales to Pakistan of ring magnets that could be used in a uranium enrichment process and its actions in providing long-range missiles to Pakistan. Another issue of concern to the Committee has been the status and control of nuclear weapons and weapons-grade materials in other countries, especially the former Soviet Union.

B. NORTH KOREAN WEAPONS OF MASS DESTRUCTION PROGRAMS

The U.S.-North Korean nuclear framework agreement, which had become a matter of concern to the Committee in 1994, continued to be a topic in closed briefings and hearings in 1995. The Committee was particularly concerned, during the 104th Congress, about reports of North Korean misuse of the first tranche of oil provided by the United States and about U.S. capabilities to ensure that any further shipments would be used only in accord with the agreement's provisions.

At the Committee's public hearing of January 10, 1995, on worldwide threats to U.S. interests, both DCI James Woolsey and DIA Director James Clapper discussed North Korea's long-range missile program, which was seen as more likely than any other countries' programs to result eventually in a new thereat to U.S. territory. On February 22, 1995, the Committee held a closed hearing to examine more closely the issue of prospective ballistic and cruise missile threats to the United States.

C. LONG-RANGE MISSILE THREAT

In early 1996, some members of the Senate expressed concern regarding a National Intelligence Estimate (NIE) of the long-range missile threat to the United States, which they feared might have been influenced by political or policy considerations. These expressions of concern led the Staff Director to undertake a staff inquiry into the estimative process and the intelligence information and analysis that formed the basis for those estimates.

On December 4, 1996, the Committee held an open hearing to review these intelligence estimates. Witnesses included John E. McLaughlin, Vice Chairman, National Intelligence Council; Richard Davis, Director, National Security Affairs, General Accounting Office; R. James Woolsey, former Director of Central Intelligence, 1993–1995; Robert M. Gates, former Director of Central Intelligence, 1991–1993 and chairman of a panel of independent experts appointed by DCI Deutch to review the intelligence estimate pursuant to the National Defense Authorization Act for Fiscal Year 1997;

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and David J. Osias, National Intelligence Officer for Strategic Programs and Nuclear Proliferation.

At this hearing, former DCI Gates stated that the review panel found no evidence that the intelligence estimate had been politicized. However, the Gates Panel did find faults of process and presentation in the NIE. The Panel found in particular that the NIE omitted needed back-up information and analysis underlying its main judgment (which paralleled the GAO's observation that previous estimates had included more analysis) and that it gave too little attention to such significant, although less probable, outcomes as the use of cruise or shipborne ballistic missiles, breakdown of the Missile Technology Control Regime or unauthorized launch of Russian missiles. The Panel also seconded former DCI Woolsey's concern that the NIE gave much too little attention to the threat to Alaska and Hawaii. Nonetheless, the review panel found sound technical reasons to support the Intelligence Community's view that the United States is unlikely to face an indigenously developed and tested ICBM threat from the Third World before 2010, even taking into account possible acquisition of foreign hardware and technical assistance.

VII. Oversight Activities

A. National Security Threats to the United States

For a number of years, the Committee has begun each new session of the Congress with an open hearing reviewing the Intelligence Community's assessment of the current and projected national security threats to the United States. The Intelligence Community's assessment of the national security threat to the United States plays a critical role in defining our country's foreign policy and forms the foundation for our military planning. It is therefore essential that the Intelligence Community provide our nation's policymakers with the most accurate and timely assessment of these threats possible. The hearings on the national security threat are held in open session not only to inform the Committee, but to enlighten the American public about the threats facing our country.

Among the many issues addressed by these hearings have been the military capabilities of the former Soviet Union, the ballistic missile threat, China's proliferation activity, the stability of the North Korean regime, Intelligence Community support to U.S. military operations in Bosnia, the stability of the Cuban regime, and economic espionage against the U.S.

Continuing this tradition, on January 10, 1995, the Committee held an open hearing on the current and projected national security threats to the U.S. Testifying before the Committee were then-DCI R. James Woolsey, Lt. General James R. Clapper, Jr., USAF, then Director of the Defense Intelligence Agency (DIA), and Toby Gati, Assistant Secretary of State for Intelligence and Research (INR). On February 22, 1996, the Committee held a similar hearing, and testifying before the Committee were DCI John M. Deutch, DIA Director Lt. General Patrick M. Hughes, USA, and Toby Gati.

The transcripts for the Committee's January 10, 1995 hearing, "Worldwide Intelligence Review" [S. Hrg. 104–15], and the Committee's February 22, 1996 hearing, "Current and Projected National

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Security Threats to the United States and its Interests Abroad" [S. Hrg. 104–510], which include the responses to a large number of questions-for-the-record (QFRs) covering a broad spectrum of national security issues, were printed and made available to the public.

Additionally, the Committee held an open hearing with DCI Deutch on December 18, 1996 to discuss issues confronting the United States Intelligence Community.

B. INTELLIGENCE SUPPORT TO U.S. EFFORTS IN BOSNIA

Throughout the 104th Congress, the Committee continued to focus on the conflict in the Republic of Bosnia-Herzegovina and to monitor intelligence community support for policy makers and U.S. and U.N. forces deployed on peacekeeping missions in the region. During the summer of 1995, the Committee held four hearings to consider the evolving military and diplomatic situations, the likelihood that U.S. troops would be sent to the region either as peacekeepers or to assist in a withdrawal of UNPROFOR troops, and the capability of U.S. intelligence to support the needs of U.S. policy makers and military commanders. The issue of intelligence support to U.S. military forces was of particular attention as a result of the incident in which a U.S. F–15 aircraft was shot down by a Serbian missile and its pilot was stranded for several days before he could be located and rescued. Also, the Committee held a joint open hearing with the Senate Foreign Relations Committee on August 9, 1996 (S. Hrg. 104–448) to review intelligence support to the war crimes investigation in the former Yugoslavia.

With the signing of the Dayton Peace Accords by the Federal Republic of Yugoslavia, the Republic of Croatia, and the Republic of Bosnia & Herzegovina in November 1995, which brought the fighting among Bosnian Serbs, Bosnian Croats and Bosnian Muslims in the disputed Bosnia-Herzegovina area to a halt, and the subsequent deployment of U.S. troops into Bosnia as part of the Implementation Force (IFOR), the Committee began an extensive review of intelligence support to U.S. military forces in the Bosnian theater. The Committee received regular briefings from the DCI's Balkan Task Force, tasked to monitor compliance with the accords, and conducted three hearings on the viability of a time-limited deployment of U.S. implementation forces and the lifting of the arms embargo for all involved parties. The Committee also held numerous closed hearings and briefings to determine the effectiveness of collection, analysis and dissemination of U.S. intelligence to support deployed forces in the field. Several members and staff traveled to the former Yugoslavia to meet with U.S. military commanders and intelligence officials to evaluate first hand the effectiveness of U.S. intelligence operations in support of Operation Joint Endeavor. The Intelligence Community continues to monitor the intelligence situation in Bosnia with regular updates from the Intelligence Community.

C. INQUIRY INTO U.S. ACTIONS REGARDING IRANIAN AND OTHER ARMS TRANSFERS TO THE BOSNIAN ARMY

On April 5, 1996, the Los Angeles Times reported that "President Clinton secretly gave a green light to covert Iranian arms ship-

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ments into Bosnia in 1994 despite a United Nations arms embargo that the United States was pledged to uphold and the administration's own policy of isolating Tehran globally as a supporter of terrorism." The Committee began an inquiry into the matter on April 7, 1996.

The Committee held three public hearings, four closed hearings and six informal sessions on this matter. Testimony was taken from: DCI John M. Deutch; former DCI R. James Woolsey; Deputy Secretary of State Strobe Talbott; former Assistant Secretary of State Richard Holbrooke; the Honorable Charles E. Redman (U.S. Ambassador to Germany and former Special Envoy to the Former Yugoslavia); the Honorable Peter W. Galbraith (U.S. Ambassador to Croatia); three other persons who served in the U.S. Embassy in Zagreb in 1994–1995; and legal officials from the Department of State and Department of Defense. Informal sessions were held with some of the above persons and with: Dr. William Perry, Secretary of Defense; General John Shalikashvili, Chairman of the Joint Chiefs of Staff; Dr. Anthony S. Harrington, Chairman, President's Intelligence Oversight Board (IOB). Formal and informal staff interviews were held with Department of State, Department of Defense and intelligence personnel, and with the chairman and staff of the IOB.

The Committee's staff reviewed substantial material provided by the CIA and the NSA and smaller, but significant, amounts of material provided by the Department of State and Department of Defense (including finished intelligence products of the Defense Intelligence Agency), as well as some National Security Council (NSC) documents. The Chairman and Vice Chairman were also briefed by NSC staff personnel on some documents that the Executive branch refused to show to Committee staff.

On November 7, 1996, the Committee issued a public report summarizing its findings and recommendations in this matter. The report's findings included the following:

> The decision to let Croatia transship Iranian and other arms to the Bosnian Muslims was made by the President and was implemented largely by Department of State and NSC personnel. Unusual steps were taken to keep this action secret, such as refraining from filing cables on it or from mentioning it at NSC meetings. These steps kept knowledge of this significant policy change from other agencies, including the Department of Defense and the CIA.
>
> Although the executive branch did inform appropriate committees of intelligence information on the arms flows, it did not inform Congress of the decision to let Croatia transship Iranian and other arms to the Bosnian Muslims. This action left Congress dangerously ignorant of U.S. policy, even as it debated and voted on legislation regarding enforcement of the arms embargo.
>
> CIA officials became attentive to actions that might constitute an illegal covert action activity, which CIA personnel feared was under way. CIA's concerns may have been overwrought, but so are the allegations that CIA was "spying on" Department of State personnel.

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Much confusion might have been averted if Deputy Secretary Talbott or other State Department officials had adequately explained to DCI Woolsey the new policy and their intent that Iranian arms be permitted to flow to Bosnia and Croatia. It would also have helped if State Department Headquarters had provided clearer instructions to Ambassador Galbraith.

The decision to let Croatia transship Iranian and other arms to the Bosnian Muslims achieved its purpose of affecting the balance of forces in the former Yugoslavia without prompting European actions that the United States had feared would breed a wider and bloodier war. But Iran maintained and probably increased its influence in Bosnia as a result of its resumed role as Bosnia's major arms supplier. In addition, Croatian officials for a time found it hard to reconcile U.S. support of Iranian arms flows to Bosnia with continued U.S. support for other United Nations arms embargoes (such as that against Libya) and opposition to Iranian support for terrorism.

Ambassador Redman may not have intervened with Croatian officials to secure release of a Bosnian convoy in May 1994, contrary to the IOB's conclusion that he probably did so.

Executive branch personnel in senior overseas positions did not always understand the law and regulations governing covert action programs.

Covert action options were prepared by Executive branch agencies in 1994 and 1995, but no covert action program for Bosnia was approved by the Executive branch. CIA consistently opposed undertaking such a program.

Some Executive branch officials made statements to Bosnian and/or Croatian officials in the summer and fall of 1994 that suggested support for increased covert shipments of arms to the Bosnian Muslims.

The Committee could not determine whether U.S. officials offered either support in implementing a larger arms pipeline or a quid pro quo to Croatia for agreeing to such increased arms shipments. The Committee found no evidence that the United States ever provided such support or any quid pro quo to Croatia, or encouraged any country other than Croatia to provide arms or military assistance in violation of the arms embargo.

In early 1995, one U.S. official told a Croatian official that the United States did not want Croatia to discontinue a military resupply effort in Bosnia.

In the summer of 1995, U.S. personnel inspected rockets bound for Bosnia; the Committee could not determine whether this activity was undertaken for the purpose of encouraging Croatia to continue the covert arms shipments.

The Committee could not agree on whether the actions of U.S. officials constituted covert action under section 503(e) of the National Security Act of 1947. It did conclude, however, that the interchange between the United States Ambassador to Croatia and the President of Croatia in April 1994 did not constitute traditional diplomatic activity, at least as that term is understood by most Americans. The Committee disagreed, moreover, with the Executive branch view that diplomatic requests to third parties to conduct covert action are not covered

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by the definition of covert action. It also noted that any encouragement of promotion of arms shipments to Bosnia could violate Executive Order 12846, 58 FR 25771 (April 25, 1993) on sanctions against the former Yugoslavia.

Allegations regarding U.S. military or CIA involvement in the arms flow or in logistical support to the Bosnian Army appear to be false.

The Committee found three areas in which administrative or legislative actions appear to be required:

Recommendation No. 1: The Executive branch, especially the White House and the Department of State, should make a written record of every significant foreign policy decision, and especially of those decisions that reflect a change in policy; and it should ensure that adequate mechanisms are in place to generate and protect communications that are particularly sensitive.

Recommendation No. 2: The Executive branch should keep the Committee "fully and currently informed" of the substantive content of intelligence that is collected or analyzed by U.S. intelligence agencies.

Recommendation No. 3: The Executive branch should inform Congress of significant secret changes in U.S. foreign policy.

D. CONGRESSIONAL NOTIFICATION OF FOREIGN POLICY DECISIONS

As an outgrowth of its inquiry into the Iranian arms to Bosnia matter, on September 5, 1996, the Committee held a hearing on the desirability of legislation to require the Executive Branch to notify Congress of secret changes in the overt foreign policy of the United States. The Committee received testimony from DCI John Deutch; former White House Counsel Lloyd Cutler; former NSC official and American Civil Liberties Union Washington Office Director Morton Halperin; Acting State Department Legal Adviser Michael Matheson; and Defense Department Deputy General Counsel Whit Peters.

During the hearing, members of the Committee expressed concern that Congress had not been informed of the Administration's decision to acquiesce in Iranian arms shipments through Croatia into Bosnia. Members questioned whether the actions of Administration officials constituted a "covert action" for purposes of Title V of the National Security Act and, if not, whether Title V should be amended or separate legislation should be enacted to require notice in similar circumstances. While noting the need for improved communication between the executive branch and Congress on foreign policy matters, Mr. Cutler and Mr. Halperin questioned whether legislation requiring notification of foreign policy decisions was the appropriate means to accomplish this goal. Further, Administration witnesses raised concerns regarding how such a statutory requirement would work on a practical level. The Committee ultimately decided not to introduce legislation in the 104th Congress but discussed its concerns in greater detail in its report on the arms to Bosnia matter.

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E. PERSIAN GULF SYNDROME

Shortly after the end of the Persian Gulf War in February of 1991, U.S. military personnel, both active duty and reserve, began to complain about unexplained illnesses. Symptoms included: fatigue, watery eyes, itchy skin, diarrhea, headaches, nausea, sleep disorder and memory loss. Exposure of U.S. personnel to nerve agents or mustard agents had been cited as one of many possible causes of what has come to be known as "Persian Gulf Syndrome."

The Committee questioned Dr. John Deutch about his knowledge and involvement in this issue during his confirmation hearing on April 26, 1995. On September 25, 1996 the Committee held a public hearing to receive intelligence assessments on the possibility of exposure of U.S. military personnel to chemical warfare agents during Operation Desert Storm. Witnesses included: Mr. John McLaughlin, Vice Chairman for Estimates, National Intelligence Council; Dr. Stephen Joseph, Assistant Secretary of Defense, Health Affairs; and Dr. Robert Kizer, Undersecretary for Health, Department of Veterans Affairs. Intelligence reports dating back to 1991, which had been discovered by the CIA during a review of this issue, determined that U.S. troops may have been exposed to sarin nerve gas when they destroyed an ammunition dump at al-Khamisiyah in southern Iraq in March 1991. The Department of Defense has estimated that up to 20,000 U.S. troops could have been exposed to low levels of sarin gas as a result of the destruction of the rockets in Khamisiyah.

F. ZONA ROSA

On June 19, 1985, four U.S. Marines and two American businessmen were shot and killed while they were seated at a sidewalk cafe in the Zona Rosa district of San Salvador, reportedly by a faction of the communist FMLN movement during El Salvador's civil war. In mid-1995, the television show "60 Minutes" claimed that the mastermind behind the incident went unpunished and was living in the United States. The Committee asked DCI John Deutch to investigate the allegations.

In October 1995, officials from the Central Intelligence Agency, the Department of State, and the Department of Justice indicated that a preliminary review of available data indicated that the Department of State had assisted in the entry into the United States of a person believed to have some involvement with the "Zona Rosa" murders. Therefore, the Committee asked the Secretary of State to direct his Inspector General to conduct a review. The review was expanded in February 1996 to include the CIA, the Department of Defense, and Department of Justice's Inspector Generals to determine if they had been any government wrongdoing, and if prosecution or deportation was appropriate for those responsible for the June 1985 terrorist attack.

In October 1996, the Committee held a closed briefing on the Inspector General (IG) investigations into the Zona Rosa case. During the course of its investigation, the Committee received information from the IG reports which suggested that State Department and possibly CIA officials may have acted improperly in this case. At

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the time this report was written, the Committee was preparing a consolidated report for release to the public.

G. VIETNAMESE COMMANDOS

The Committee held a hearing on June 19, 1996, to hear testimony regarding a Vietnam-era covert action program. This operation, funded and supported by the United States, sent several hundred Vietnamese commandos into North Vietnam on espionage and sabotage missions. Nearly all of these commandos were killed or captured by the North Vietnamese. Those who were captured were not released in 1973 following the Paris peace agreement and spent as long as twenty years in North Vietnamese jails. Recently declassified documents and statements made by individuals involved with this program suggested that in 1964 U.S. officials directing the operation began declaring these men as killed-in-action so that the captured commandos could be dropped from the program's payroll. In a case in the U.S. Court of Claims, 281 of these commandos sought payment from the U.S. Government for the time they spend in prison.

After the Committee's hearing, Senators John Kerry and John McCain offered an amendment to the Defense Authorization Bill to provide these men, or their heirs, with compensation. The Administration, without reference to any outstanding legal issues, supported the Kerry-McCain amendment. This provision was included in the National Defense Authorization Act for Fiscal Year 1997 signed by President Clinton. The Department of Defense Appropriations Conference Report contained identical language and provided up to $20 million for payment of the claims.

H. CIA/CONTRA/COCAINE LINK

Beginning August 18, 1996, the San Jose Mercury News ran a three-day series of articles purporting to trace the origins of the crack coccaine epidemic to a pair of Nicaraguan drug traffickers with connections to the U.S. backed Contras. The series, "Dark Alliance: The Story Behind the Crack Explosion, A Mercury News Special Report," focused on the activities of two Nicaraguans and a Los Angeles drug dealer and made veiled references to possible CIA involvement in drug trafficking and/or interference in the investigation and prosecution of the Nicaraguan traffickers.

Since the series ran in late August, various Members of Congress have called for an investigation. The Director of the Office of National Drug Control Policy, General Barry McCaffrey, has also called for a review of the matter. On September 4, 1996 DCI John Deutch, noting the seriousness of the charges, notified the Committee that he had asked the CIA Inspector General to conduct an immediate and thorough review of all the allegations. Director Deutch stated that a preliminary review found no signs of CIA involvement in such activity. The Justice Department Inspector General has also started an investigation.

On October 23, 1996, the Committee held an open hearing to begin an independent evaluation of the allegations. The witnesses included CIA Inspector General Fred Hitz, Department of Justice Inspector General Michael R. Bromwich, and former special counsel to the Subcommittee on Terrorism, Narcotics and International Op-

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erations of the Senate Foreign Relations Committee Jack Blum. The hearing included a review of a previous Senate inquiry into similar accusations and an update on planned executive branch actions. The Inspectors General from the CIA and Justice Department testified regarding the scope of their investigations.

On November 26, 1996, the Committee held an open hearing to investigate alleged ties between the Contra organizations and drug trafficking. The witnesses included former Contra leader Adolfo Calero, and southern front leader Eden Pastora. The witnesses at this hearing stated that, although the Contras may have received some donations from Nicaraguans involved in narcotics trafficking, the CIA had no direct involvement with the drug traffickers.

I. CIA USE OF JOURNALISTS, CLERGY AND PEACE CORPS VOLUNTEERS IN INTELLIGENCE OPERATIONS

The Committee first raised this issue with the Director of Central Intelligence during a public hearing on February 22, 1996 after discovering that a pending Council of Foreign Relations Task Force report concerning Intelligence Community reform had recommended that current policy prohibiting the use of journalists, members of the clergy and Peace Corps volunteers be reexamined. In the ensuring debate it was pointed out that the Director of Central Intelligence has the authority under current regulation to waive any prohibitions. That waiver authority also applies to the clergy and, to a more limited extent, Peace Corps volunteers.

The Committee held a hearing on July 17, 1996 on this issue. Testifying before the Committee were Senator Paul Coverdell (R–GA); DCI John Deutch; Kenneth L. Adelman, journalist and former U.S. official; Terry Anderson, journalist; Ted Koppel, anchorman, ABC News "Nightline"; Mortimer B. Zuckerman, Chairman and Editor-in-Chief, "US News and World Report"; Dr. Don Argue, President, National association of Evangelicals; Dr.. John Orme, Executive Director, International Foreign Mission Association; Sister Claudette La Verdiere, President, Maryknoll Sisters; and Dr. Rodney Page, Deputy General Secretary, Church World Service and Witness Unit, National Council of Churches.

The Fiscal Year 1997 Intelligence Authorization conference report provided, in section 309, as policy of the Untied states, that the Intelligence Community would not use as an agent or asset for intelligence collection purposes any individual who is a member of the news media. However, the conference report allowed the President or the Director of Central Intelligence to waive the prohibition in a particular case if he or she determines in writing that the waiver is necessary to address the overriding national security interests of the Untied States. The congressional intelligence committees are to be notified of any waivers of section 309.

J. GUATEMALA

During 1995 and 1996, the Committee inquired extensively into CIA activities in Guatemala, focusing on the 1990 murder of American citizen Michael DeVine and the death of Guatemala guerrilla Efrain Bamaca Velasquez. The Committee conducted one public hearing, two closed hearings and eight on-the-record briefings.

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Committee Members and staff also traveled to Guatemala to conduct further inquiries on two separate occasions.

The Committee's open hearing on April 5, 1995, focused on allegations regarding CIA's conduct in the events surrounding the DeVine murder and the fate of Efrain Bamaca as well as accusations that the CIF funded intelligence programs in Guatemala in contravention of U.S. policy. Testimony was received from Admiral William Studeman, Acting Director of Central Intelligence; Alexander Watson, Assistant Secretary for Inter-American Affairs, Department of State; Col. Allen Cornell, former Defense Attache, U.S. Embassy, Guatemala; John Barrett, Counselor to the Inspector General, Department of Justice; and Carol DeVine and Jennifer Harbury, widows of Mr. DeVine and Mr. Bamaca, respectively. The Committee's hearing transcript, "Hearing on Guatemala," [S. Hrg. 104–161] was printed and is available to the public.

The Committee also conducted two closed hearings in 1995—on August 8 and September 29—receiving testimony from a number of officials of the CIA and Justice Department. As part of its inquiry, the Committee also met with former U.S. Ambassador to Guatemala Thomas Stroock; Sister Dianna Ortiz, a victim of human rights violations in Guatemala; various family members and representatives of a number of other Americans subjected to human rights violations in Guatemala; and representatives of human rights organizations.

A CIA Inspector General investigation into the Guatemala cases led to a report issued in July 1995. As a result of the CIA IG report and the Committee's inquiry into this matter, DCI Deutch in September 1995 took disciplinary action against a number of personnel for their actions while stationed in or overseeing the CIA operations in Guatemala. At the time this biennial report was written, the Committee's inquiry into this matter was still underway.

K. INTELLIGENCE SUPPORT TO LAW ENFORCEMENT

On October 25, 1995 the Committee held an open hearing on intelligence support to law enforcement, receiving testimony from Deputy Attorney General Jamie Gorelick and CIA General Counsel Jeffrey Smith. The witnesses discussed the evolving relationship between law enforcement and intelligence, the level of cooperation between the law enforcement and intelligence communities and the impact of that cooperation on combatting terrorism, narcotics trafficking, alien smuggling and the smuggling of nuclear material.

L. CONGRESSIONAL NOTIFICATIONS OF INTELLIGENCE ACTIVITIES

During the 104th Congress, the Committee continued its oversight of the Intelligence Community and received nearly 300 notifications of significant intelligence activities in 1995 and another 136 between January and September 1996. In order to exercise its oversight responsibilities more effectively and to preserve a comprehensive record over a longer period of time, the Committee in 1995 requested that all congressional notifications be made in writing. In addition, the Committee receives numerous briefings and updates on selected notifications and current intelligence issues.

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M. AIRBORNE RECONNAISSANCE

The Committee continued its strong support for both the manned and unmanned airborne reconnaissance programs of the Department of Defense in the 104th Congress. The Committee believes that it is vital to maintain a robust airborne reconnaissance force that is capable of collection satisfying priority intelligence requirements in peacetime, crisis, and war.

In the area of manned reconnaissance, the Committee has been concerned with the high operational tempo rates of our manned airborne reconnaissance platforms. Because of these high operational rates, the Committee initiated a program to re-engine the RC–135 speciality aircraft fleet. This engine upgrade will significantly improve the performance of the RC–135 fleet and decrease operations and maintenance costs. The Committee has also been concerned that the appropriate level of resources has not been programmed to update the sensor capabilities on several manned reconnaissance platforms. The Committee views these sensor upgrades to be essential in order to provide mission-capable forces to the regional Commanders-in-Chief (CINCs). Therefore, the Committee made increased funding for additional sensors a priority in the 104th Congress. The Committee will continue to ensure that manned platforms receive the required funding for sensors to fulfill their reconnaissance missions in the future.

The Committee remains concerned that the Defense Department has initiated more Unmanned Aerial Vehicle (UAV) programs than can be supported in the future years Defense budget. While the Committee was unsuccessful in terminating one of the UAV programs, the Defense Department did restructure the current family of UAVs under development from five programs to four. The Committee continues to support the development of UAVs, but remains concerned over the outyear budget implications of the various UAV programs as they transition from research and development into procurement.

The Committee continued its strong support for the Defense Airborne Reconnaissance Office (DARO). While the Committee has supported increases to the DARO budget, the Committee has also become concerned over the ability of the DARO to fully execute its programs. The Committee will continue to work with the leadership of the DARO to closely monitor program execution.

N. NATIONAL RECONNAISSANCE OFFICE CARRY FORWARD

In July 1995, Congress discovered the National Reconnaissance Office (NRO) had funding available grossly in excess of its fiscal year 1995 requirements. This condition was created largely by NRO program delays and by poor internal controls within the National Reconnaissance Office. In response, the Committee recommended, and the Senate approved, significant reductions in the President's budget requests for the National Reconnaissance Program in fiscal years 1996 and 1997. It also directed the CIA and Defense Department Inspectors General to conduct reviews of the status of funding within the National Reconnaissance Office and selected programs of the Department of Defense. Learning of no misuse of Government funds during the intense executive branch

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and legislative branch reviews of the NRO's financial status, the Committee recommended, and the Senate approved, new financial management practices for the National Reconnaissance Office in the report accompanying the Fiscal Year 1997 Intelligence Authorization Act.

O. SMALL SATELLITES

As part of the fiscal year 1996 intelligence authorization process, a heated executive branch, legislative branch and public debate developed concerning the next generation of reconnaissance satellites. To help resolve the issue, the Director of Central Intelligence formed a panel of experts outside of the Government on reconnaissance satellites under Dr. Robert Hermann, a former director of the NRO and senior Defense Department official. Although the panel's report is classified, an unclassified version was publicly released, recommending the next generation of satellites should be smaller vehicles than the current class. It further recommended moving forward expeditiously with this initiative. In the conference report to the fiscal year 1997 Intelligence Authorization Act, the Committee used the Hermann panel's vision as a component of many of its recommendations.

P. COVERT ACTION

Covert action funding continued to comprise a small proportion of the intelligence budget throughout the 104th Congress. Nevertheless, the Committee continues to conduct rigorous oversight of covert action programs, helping to ensure that such programs serve an agreed foreign policy objective and are conducted in accordance with American laws and values.

Q. ENCRYPTION EXPORT POLICY

The introduction of legislation in the 104th Congress to liberalize the export of encryption products spurred the Committee to undertake a series of briefings to assess the potential impact of such legislation on U.S. national security interests. Due to the many equities involved, including those of business and law enforcement as well as the Intelligence Community, the Committee sought the views of numerous individuals from both the public and private sectors and interviewed the authors of the National Research Council (NRC) report entitled, "Cryptography's Role in Securing the Information Society."

Due to the sensitivity of some issues associated with encryption policies, and the interest the topic engendered on the part of a number of different Senators and committees, the Committee took the lead in arranging a classified briefing that provided all interested members the opportunity to directly question the DCI, the Director of the FBI, and the Deputy Attorney General, all of whom play pivotal roles in the development and implementation of Administration encryption export policy. As a result of this and other Intelligence Community briefings, as well as the seeming progress of Industry-Administration negotiations on the encryption export issue, the Chairman and Vice Chairman of the Committee concluded, as the authors of the NRC report had, that it would be pre-

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mature to enact legislation to establish a statutory framework for U.S. encryption export policy.

Shortly before the adjournment of the 104th Congress, the Administration announced the parameters of a new encryption export policy. Pursuant to this policy, corporations willing to commit to the development of key escrow encryption products—systems that would accommodate the needs of law enforcement for court-authorized access to electronic communications—will be permitted for up to two years to export 56 bit encryption technologies. This policy is certain to renew interest in the encryption issue in the 105th Congress and will remain a topic of concern for the Intelligence Committee.

R. SECURITY OF THE U.S. INFORMATION INFRASTRUCTURE

During its review of the fiscal year 1996 request for the Department of Defense Information Systems Security Program (ISSP), the Committee became concerned over the lack of a national strategy for dealing with threats to the U.S. information infrastructure. This infrastructure includes the enormous variety of public and private communication and information systems that today control everything from telephone switching to routine financial transactions and airport traffic control. These systems are the functional equivalent of a national central nervous system, and threats to their operation could have grave ramifications for U.S. national security. An estimated 95% of Defense Department communications are carried on the public switch network (PSN) operated by private telecommunications vendors. Further, even with the Administration's requested budget increases in 1996 and 1997, overall information security spending and manpower are still far below the levels of the late 1980s, notwithstanding an increased Defense Department reliance on information systems to achieve "dominant battlespace awareness" in future conflicts.

To address these concerns, in June 1995 the Committee requested a report from the Secretary of Defense and the Director of Central Intelligence on the threats to the U.S. information infrastructure as well as a comprehensive strategy for ameliorating such threats. The report was to have been received by the Committee not later than March 1, 1996.

In response to this request, the committee received a letter dated January 3, 1996, from the DCI expressing agreement with the need for a comprehensive threat assessment. The DCI's letter, however, also indicated that it would be impossible to meet the Committee's deadline. The Department of Defense has still not provided a written response, although the Committee has been orally notified that a reply will soon be forthcoming.

Due to the concerns expressed by the Committee and the vigorous, independent efforts of Senators John Kyl (R–AZ) and Sam Nunn (D–GA), the Administration has established a Presidential Commission with a broad mandate to assess the issues raised by the committee in 1995. The Committee intends to maintain its scrutiny of this important issue and will carefully evaluate the findings and recommendations of the Presidential Commission.

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S. JANE DOE THOMPSON CASE

During the 104th Congress the Committee continued to follow the progress of the Jane Doe Thompson case. Jane Doe Thompson is a pseudonym for a female CIA Directorate of Operations officer who in July 1994 filed a lawsuit against the CIA alleging, among other things, sexual discrimination in terms of her assignments and promotions and unfair treatment by the CIA Inspector General (IG).

Thompson was the subject of an IG investigation which began in 1991 and was completed the following year. The IG recommended disciplinary actions be levied against Ms. Thompson, who filed suit against the CIA IG and other CIA personnel in July 1994 in the U.S. District Court for the Eastern District of Virginia. The lawsuit alleged that the CIA IG's investigation of her had been improper and discriminated against her as a woman; and that she had been the victim of discrimination with respect to her assignments and promotions within the CIA Directorate of Operations. On December 22, 1994, prior to the case being tried, an agreement was reached between Ms. Thompson and the CIA wherein, among other things, Ms. Thompson agreed to accept immediate voluntary retirement and was paid a lump sum payment of $385,000 by the CIA.

In March 1995 CIA IG Fred Hitz appeared as the sole witness before a closed session of the Committee to discuss the Thompson case and other IG matters.

T. OVERSIGHT OF THE INTELLIGENCE COMMUNITY INSPECTORS GENERAL

Senate Resolution 400, 94th Congress, established the Select Committee to oversee and make continuing studies of the intelligence activities and programs of the United Stats Government, and to provide "vigilant legislative oversight over the intelligence activities of the United States." An important part of the Committee's oversight has been close monitoring of the activities of the Inspectors General (IGs) of the Intelligence Community, and review of IG products.

During the 104th Congress the Committee held five hearings and briefings with various IGs on intelligence issues, and reviewed nearly 200 IG reports. The Committee also arranged numerous briefings with Community program and IG personnel in order to follow up on the findings and recommendations from a variety of IG products. Examples include NRO financial practices, CIA administration of bank accounts, employee grievances, CIA and NRO employee and applicant investigation procedures, and sensitive DIA program. Staff also meets with the IGs on a regular basis to address administrative issues such as IG quality control, staffing and budgets. In addition, staff attended two Intelligence Community IG conferences and participated as guest speakers at three IG conferences. The Committee's Audit Staff is currently engaged in a detailed review of internal controls and procedures for the CIA IG.

On December 21, 1995, special recognition was given to Fred Hitz, the first CIA statutory Inspector General, on his five year anniversary in that office. Senate Resolution 201 (104th Congress, 1st Session) commended the CIA IG and acknowledged the important

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role of the statutory Inspector General's Office on their role in the oversight of that agency.

The Committee also recognized that the Intelligence Community agencies are becoming increasingly interconnected and, as a result, Intelligence Community IGs must work closely with each other on a growing number of interrelated issues. In language accompanying the Committee's fiscal year 1997 authorization bill, the IGs form CIA, Central Imagery Office, Defense Intelligence Agency, Department of Defense, Department of Energy, the Military Services, National Reconnaissance Office, National Security Agency, and the Departments of State, Treasury and Justice were directed to provide by January 15, 1997 a report to the Committee describing the reviews involving intelligence issues they have cooperated on since January 1, 1994. In addition, the Committee language asked each of the IGs to make any recommendations they deem appropriate for improving coordination and communication between the IGs, as well as individual IG assessments of the feasibility and desirability of creating an IG for the Intelligence Community to coordinate all joint intelligence efforts.

ORGANIZED CRIME IN THE FORMER SOVIET UNION

The crime problem facing Russia and the other states of the former Soviet Union is staggering. The conversion to a market economy has impoverished many people, causing some to turn to crime for survival. And a legal system without basic laws on corruption, conflict of interest, or racketeering is matched by law enforcement agencies that may themselves be tainted. The endemic crime and corruption threatens not only the transition to a market-oriented society, but also the nascent democracies in these nations.

This situation hinders the ability of the West to help the transition by discouraging investment and causing nations to question the efficacy of their foreign aid. The extortion and protection rackets have targeted foreign concerns as well as indigenous businesses. A poll of business executives rated Russia as the worst place in the world to do business, largely on the basis of the crime problem.

Organized crime in the former Soviet Union has a direct effect on U.S. interests. These groups have spread quickly and made connections with other international criminal organizations. In many cases they are already operating in the United States and Europe. They also have ties to Chinese, Japanese, and Israeli criminal organizations, as well as the Italian mafia and the South American drug cartels.

On March 15, 1996, the Committee held a hearing to examine the Administration's response to this problem. The State Department, the FBI, and intelligence agencies described their attempts to help former Soviet states deal with the organized crime problem and their efforts to better coordinate their activities. The Committee has attempted to encourage cooperation between intelligence an law enforcement agencies and will continue to pursue this goal.

V. PROGRAM REVIEW AND AUDIT STAFF

The Audit Staff was created in 1988 by the Committee to provide "a credible independent arm for Committee review of covert action

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programs and other specific Intelligence Community functions and issues." During the 104th Congress the Audit Staff was increased from two to three persons. The Program Review and Audit Staff either led or provided significant support to numerous Committee reviews and oversight activities. In addition, the Audit Staff conducted four in-depth reviews, including one of a covert action program. These reviews included the following:

Covert Action Review.—The Audit Staff conducted an extensive review of a covert action program. Thirteen recommendations were made to improve the effectiveness and efficiency of the program.

Intelligence Community Budget Execution.—One of the most noteworthy unclassified projects undertaken by the Program Review and Audit Staff was a review of Intelligence Community (IC) Budget Execution. The review was prompted by revelations about the financial management practices at the National Reconnaissance Office (NRO) resulting in the NRO's financial position being inaccurately reported to the Congress, and NRO management being unaware that forward funding levels had reached $3.7 billion as of 30 September 1995.

The staff review Intelligence Community budget execution monitoring with particular emphasis on the effectiveness on internal controls which would prevent the accumulation of excess forward funding at other Intelligence Community organizations. As the review progressed, staff learned that until recently only limited oversight existed for the execution of many of the IC budgets.

The staff found that prior to the 1995 revelations regarding the NRO's excess forward funding, NFIP budget execution monitoring had not been done in any significant way by any office outside the individual agency comptrollers. For example, neither the Office of Management and Budget (OMB), Office of the Secretary of Defense (OSD), nor Community Management Staff (CMS) participated in substantive reviews of NFIP budget execution.

The NRO forward funding issue caused OMB, OSD and CMS to rethink their oversight responsibilities and their capability to monitor NFIP funds. During the last year the three organizations have begun working together to increase their individual, as well as their combined, efforts to provide budget formulation and execution oversight of the NFIP programs.

VIII. Foreign Intelligence

A. North Korea

Since North Korea's accession to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) in 1985, it has been a main objective of U.S. diplomacy to secure North Korea's full compliance with the NPT. On October 21, 1994, the United States and the Democratic People's Republic of Korea issued an "Agreed Framework" for resolution of the North Korean nuclear problem. In early 1995 the Committee held a hearing to review the agreement and to assess the ability of the Intelligence Community to monitor the agreement over its phased life. The hearing also reviewed North Korea's record on proliferation of weapons of mass destruction.

The Committee continued to monitor the still tense situation on the Korean peninsula and received an on the record briefing in De-

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cember 1995. This briefing addressed questions on the status of North Korea's military preparedness and an evaluation of the Intelligence Community's warning capability. The witnesses provided both a short- and medium-term overview of the likely evolution of the North Korean political and economic situation, and of the regional political and economic context in which it will take place. The deteriorating economic situation, with the possibility of severe food shortages, adds to an already unstable environment and the Committee will continue to monitor the situation closely.

B. IRAQ

The Committee held hearings and briefings on the situation in Iraq during the 104th Congress. After Saddam Hussein intervened in the Kurdish areas of northern Iraq, Director of Central Intelligence John Deutch testified on September 19, 1996 before the Committee in open session on internal developments in Iraq in the wake of U.S. military action against that country. At that hearing, Director Deutch stated that Saddam Hussein's hold on power had become stronger as a result of the intervention in the fighting between Kurdish factions.

C. RUSSIA

The political leadership, military situation, and ongoing economic transition in Russia were of continued interest to the Committee during 1995 and 1996. The Committee held a number of closed briefings which focused upon Russia and the adequacy of intelligence assessments of that country. The Committee also reviewed the Intelligence Community's views on how the political situation in Russia could influence acceptance of the Chemical Weapons Convention and START II treaty by the Russian legislature.

D. CHINA

The evolving relationship between the United States and China is critical for strategic and economic reasons. During the 104th Congress the Committee received testimony from representatives of CIA, DIA, NSA and the State Department on a variety of issues affecting this relationship. This testimony centered on the tensions between China and Taiwan in the time leading up to the Taiwanese Presidential election in March 1996.

The witnesses also discussed China's involvement in proliferation activities such as the publicly reported transfer of nuclear technology and ballistic missiles to Pakistan. Finally the Intelligence Community provided the Committee with an assessment of the impact of China's economic reform program and the evolving leadership transition as Deng Xiaoping fades from the scene.

E. MEXICO

In the aftermath of the December 1994 Mexican peso crisis, the Committee reviewed the Intelligence Community's prior assessment of this situation. In a letter to the Washington Post printed on the February 28, 1995, the Committee stated that the CIA analyses did cover crucial economic and political factors in the months leading up to the crisis and made clear that a large, delayed de-

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valuation of the peso would have significant ramifications for Mexico's economy and political situation. The Committee conducted a closed briefing on March 22, 1995 to assess political, economic and social trends in Mexico, with a particular focus on the country's banking crisis.

F. ECONOMIC INTELLIGENCE

During the last two years, the Intelligence Community has continued to refine and clarify its role in the collection of economic information. As a part of the Committee's Worldwide Intelligence Review hearing on January 10, 1995, then-DCI Woolsey defined what he called the "permissible side" of economic intelligence, which included helping U.S. policymakers understand general economic forces, foreign positions and practices towards international agreements, and how foreign governments or firms are violating laws, breaking international agreements, or behaving outside the norm. DCI Woolsey stated that the United States does not spy on foreign companies for the purpose of providing information to U.S. firms, report information that is openly available in the public sector, or focus on any economic issue that is not directly responsive to policymaker interests and needs

On November 7, 1995, the Committee held a closed briefing to develop a better understanding of the many issues surrounding the collection of economic intelligence. Specifically, the briefing provided information on what economic information is targeted by the Intelligence Community, what sources and methods are used, how the risks of collection are considered, and how valuable and unique the economic intelligence information is to consumers.

As a part of the Committee's February 22, 1996 hearing on Current and Projected National Security Threats to the United States and Its Interests Abroad, DCI Deutch described in greater detail the types of economic intelligence that have been most useful to intelligence consumers. This list included work done on key economies such as Russia, China, Eastern Europe and large emerging markets; intelligence support for bilateral and multilateral negotiations; monitoring of foreign compliance with economic sanctions against Iraq, Libya, and Serbia; and information to help policymakers better understand how foreign governments have worked to undermine the efforts of U.S. business to secure overseas contracts.

G. ENVIRONMENTAL AND DEMOGRAPHIC INTELLIGENCE

The Committee has continued its support for efforts to use intelligence sensors and data to assist environmental scientists and federal agencies with an environmental mission. While funding for this program through the Intelligence Community has remained relatively steady, the program has expanded due to the willingness of other federal agencies to contribute resources to the effort.

The core of the environmental program is a group of scientists from a variety of environmental backgrounds representing government and academia who are sponsored by the Intelligence Community. This group is called MEDEA, and the scientists have received security clearances enabling them to fully analyze and use intelligence data for environmental purposes. The MEDEA scientists continue to be in high demand by a number of federal agencies for

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their expertise and the unique resources they bring to bear on environmental questions. MEDEA has conducted a number of experiments to provide a baseline of knowledge regarding how intelligence sensors can be used to benefit environmental research and federal agencies with an environmental mission.

On December 12, 1995, the Committee held a closed briefing for members to explore the importance of ecological and demographic information in intelligence analysis, and how ecological and demographic factors may effect the stability of nations. Dr. Murray Feshbach of Georgetown University testified regarding the environmental devastation in Russia. Dr. Jack Goldstone of the University of California, Davis provided testimony regarding the demographics of China, and how population pressures will affect China's future. In addition, the Committee heard testimony from Dr. Richard Cooper, the Chairman of the National Intelligence Council, regarding the extent to which the Intelligence Community takes into account ecological and demographic information when producing intelligence estimates.

H. INTELLIGENCE SHARING WITH THE UNITED NATIONS

In March 1995, the Committee learned of the discovery of several boxes of classified U.S. intelligence documents left unsecured in a vacant United Nations office in Somalia. This discovery led not only to questions regarding the security of U.S. classified information given to the U.N. Peacekeeping Forces in Somalia (UNOSOM), but also to broader questions regarding U.S. intelligence sharing with the U.N.

The Committee held a closed briefing for members on this issue on March 23, 1995, and received testimony from the State Department, the Department of Defense, and staff of the Director of Central Intelligence (DCI). In addition, the Committee requested an investigation by the Department of Defense, including a damage assessment, of what happened in Somalia, how it happened, and what procedural improvements are needed to ensure this type of situation does not recur.

A classified report summarizing the findings of the Department of State, the Department of Defense and the DCI on this issue was produced by the DCI's staff and sent to the Committee on June 6, 1995. This report included recommendations for both institutional and operational changes to improve United Nations information security practices. The Committee has continued to monitor the implementation of these recommendations closely. This issue is particularly important given the increasing frequency of United States participation in multilateral efforts overseas.

To further address these concerns, the Committee included provisions in the Fiscal Year 1997 Intelligence Authorization Act requiring the President to certify that proper procedures to ensure the security of classified information have been established and are being implemented by United Nations. Additionally, the President is required to submit semiannual reports to Congress on intelligence sharing with the United Nations and to reports to Congress any unauthorized disclosure of intelligence provided by the United States to the U.N.

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IX. CONFIRMATIONS

A. DCI JOHN M. DEUTCH

On April 26, 1996, the Committee held a public hearing on the nomination of John M. Deutch to be Director of Central Intelligence. Since March of 1994, Mr. Deutch had served as the Deputy Secretary of Defense and earlier served as Under Secretary of Defense for Acquisition and Technology. A former professor and dean at the Massachusetts Institute of Technology, Mr. Deutch had previously served in the Department of Energy as Director of Energy Research, Acting Assistant Secretary for Energy Technology, and Under Secretary of the Department. Mr. Deutch holds a B.A. in history and economics from Amherst College, and a B.S. in chemical engineering and a Ph.D. in physical chemistry from M.I.T.

Mr. Deutch testified on his own behalf at the confirmation hearing. There were no other witnesses.

On May 3, 1996 the Committee reported Mr. Deutch's nomination to the Senate by a vote of 17–0. The nomination was confirmed by the Senate by a vote of 98–0 on May 9, 1996.

B. DDCI GEORGE J. TENET

On June 14, 1996, the Committee held a public hearing on the nomination of George J. Tenet to be Deputy Director of Central Intelligence. Mr. Tenet previously served as Special Assistant to the President and Senior Director for Intelligence Programs at the National Security Council. He also served as Staff Director for the Senate Select Committee on Intelligence from 1988 to 1992. Mr. Tenet holds a B.S.F.S. from the School of Foreign Service at Georgetown University and an M.I.A. from the School of International Affairs at Columbia University.

On June 21, 1996, the Committee reported Mr. Tenet's nomination to the Senate by a vote of 17–0. The Senate approved his nomination in executive session on June 26, 1996.

X. COMMITTEE INTERNAL REFORMS AND ENHANCEMENTS

A. END OF THE DESIGNEE SYSTEM

At the beginning of the 104th Congress, the Committee sought to enhance the effectiveness and nonpartisan nature of the Committee staff by ending the Committee staff designee system and has since relied on a cadre of non-partisan professional staff directly accountable to both the Chairman and the Vice Chairman. This change was effected because of a combination of growing budgetary constraints (S. Res. 400 stipulates that the Committee should be limited to 15 Members but the Senate leadership expanded the Committee to 17 Members without providing additional resources for more staff), as well as the need to more effectively manage the Committee's work.

Since the Committee's inception in 1976, Members of the Committee were allowed to nominate an individual staff member to be placed on the Committee's payroll and staff the sponsoring Member on Committee issues. Designees understandably felt a greater sense of loyalty to their sponsoring Member rather than to the Committee as an institution. Accordingly, a number of designees

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spent a large proportion of their time working for their sponsoring Member on issues unrelated to the Committee's intelligence oversight responsibility. Inevitably, this created management problems on the Committee, with the Committee leadership being able to regularly rely only on a small proportion of the professional staff to focus on the work of the Committee.

With the termination of individual designee personnel at the beginning of the first session of the 104th Congress, Committee staff were assigned to work with specific Members to assist them in their Committee work. Also, an intelligence oversight orientation was provided to the new Members appointed to the Committee in the 104th Congress, including: individualized briefings for Members; briefings on the Committee's work for the personal staff of new Committee Members; a Committee off-site with presentations provided by senior Intelligence Community officials; and a series of intelligence-related technical displays to update Members on the unique technical capabilities of the Intelligence Community.

B. TERM LIMITS

In the context of its examination of the Intelligence Community's organization, the Committee unanimously recommended deleting Section 2(b) of Senate Resolution 400 which prohibits members of the Committee from serving continuously for more than eight years. Regrettably, while this provision was reported out of the Committee as part of the Fiscal Year 1997 Intelligence Authorization Bill, it was removed prior to the full Senate taking up this legislation.

The Committee believes that limiting tenure on the Senate Select Committee on Intelligence limits Member experience and expertise, thereby detrimentally affecting the quality of oversight. Across the Senate, Senators with the most extensive service on committees have proved capable of the most meaningful legislation. As stated in the report of the Commission Roles and Capabilities of the U.S. Intelligence Community (the "Brown Commission"), "* * * because of the fixed tenure rule, Members often have to rotate off the [House and Senate intelligence oversight] committees at the very time they have begun to master the complex subject matter. Indeed, knowing their tenure is limited, some put their time in on other committees. As a consequence, in the view of many Commission witnesses, an unfortunate loss of expertise and continuity occurs, weakening the effectiveness of the committees."

Both the Brown Commission and the Council on Foreign Relations task force on the future of U.S. intelligence recommended ending Member term limits on the Committee as a means of increasing Member expertise in intelligence oversight. In addition, former Directors of Central Intelligence Robert Gates and R. James Woolsey have advocated the termination of Committee term limits, as have Committee hearing witnesses Harold Brown and former Committee Members Warren Rudman and Howard Baker.

C. POLICYNET

In the Fiscal Year 1995 Intelligence Authorization Act, funds were set aside for the establishment of a secure computer network, referred to as PolicyNet, to connect the Intelligence Community

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with the legislative branch in an effort to provide timely notification and access to intelligence products generated by the executive branch.

In March 1995, Committee staff met with representatives of the Intelligence Community to establish the priorities and to lay the ground work for the project. During both sessions of the 104th Congress, the CIA has worked closely with the Committee to introduce this new computer network and to bring the legislative branch "online" with the Intelligence Community.

PolicyNet is the CIA's Automated Information System that provides classified intelligence products, maps, charts, video, imagery, etc. to the Congress and other Executive Branch agencies involved with intelligence collection, analysis, and dissemination. In addition, the network's secure video conferencing feature provides the DCI, as well as other senior intelligence officials, with the ability to communicate "face-to-face" with Members of the Intelligence Committee on extremely sensitive issues of national importance. This feature also provides for timely briefings of sensitive late breaking events in areas of importance, and can save hundreds of personnel hours otherwise spent traveling to Capitol Hill to brief Members.

Although it is not yet fully operational, PolicyNet provides a vehicle that will greatly assist the Committee's oversight responsibilities by providing timely intelligence in "near-real time" rather than requiring Members and staff to wade through thousands of paper documents delivered by courier. The secure video conferencing will benefit the Congressional Oversight Committees, as well as the Intelligence Community, by providing a capability to brief both the House and Senate simultaneously on sensitive intelligence matters rather than briefing each Committee separately. Also, with the migration and publication of intelligence reports in softcopy on this network—and the elimination of large quantities of paper documents, transportation to deliver those reports, and the requirements to securely store such material—PolicyNet will help to decrease use of these resources.

The funds authorized in 1995 also allowed the Office of Senate Security to provide non-Committee Members and their appropriately cleared staff greater access to intelligence related material on a variety of issues.

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APPENDIX

I. SUMMARY OF COMMITTEE ACTIVITIES

A. NUMBER OF MEETINGS

During the 104th Congress the Committee held a total of 131 hearings or on-the-record briefings. Of these, seventy-nine were oversight hearings, eighteen were legislative hearings, and five were nomination hearings. There were seventeen Committee business or legislative mark-up meetings. Also, the Committee held twelve on-the-record briefings.

B. BILLS AND RESOLUTIONS ORIGINATED BY THE COMMITTEE

S. Res. 43—An original resolution authorizing expenditures by the Select Committee on Intelligence.

S. Res. 256—To authorize the production of records by the Select Committee on Intelligence.

S. 922—Intelligence Authorization Act, Fiscal Year 1996. Enacted under H.R. 1655, Public Law 104–93.

S. 1718—Intelligence Authorization Act, Fiscal Year 1997. Enacted under H.R. 3259, Public Law 104–293.

C. BILLS REFERRED TO THE COMMITTEE

S. 1326—Abolition of the Central Intelligence Agency Act of 1995.

S. 1557—Economic Security Act of 1996.

S. 1593—Intelligence Organization Act of 1996.

S. 1681—Combatting Proliferation of Weapons of Mass Destruction Act of 1996.

S. 1745—The Department of Defense Authorization Act, Fiscal Year 1997.

D. COMMITTEE PUBLICATIONS

Senate Report 104–4—Special Report—Committee Activities of the Senate Select Committee on Intelligence January 4, 1993–December 1, 1994.

Senate Hearing 104–15—Hearing before the Senate Select Committee on Intelligence—World Wide Intelligence Review.

Senate Print 104–13—Rules of Procedures for the Senate Select Committee in Intelligence.

Senate Report 104–97—Authorizing Appropriations for fiscal year 1996. (To accompany S. 922)

Senate Hearing 104–156—Director of Central Intelligence 30 Day Report.

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Senate Hearing 104–160—Nomination of John M. Deutch to be Director of Central Intelligence.

Senate Hearing 104–161—Hearing on Guatemala.

Senate Hearing 104–203—Hearing on the Nomination of George J. Tenet to be Deputy Director of Central Intelligence.

Senate Print 103–122—Legislative Calendar One Hundred Third Congress.

Public Law 104–93—To Authorize Appropriations for fiscal year 1996.

Senate Report 104–246—Capability of the United States to Monitor Compliance with the Start II Treaty.

Senate Report 104–258—Authorizing Appropriations for fiscal year 1997 for the Intelligence Activities of the U.S. Government and the CIA Retirement and Disability System and for other purposes. (To accompany S. 1718)

Senate Hearing 104–448—War Crimes in the Balkans—Joint Hearing Senate Select Committee on Intelligence and Committee on Foreign Relations. (Wednesday, August 9, 1995)

Senate Report 104–278—Department of Defense Authorization for fiscal year 1997 to accompany S. 1745. (June 11, 1996 ordered to be printed)

Senate Hearing 104–510—Current and Projected National Security Threats to the U.S. and Interests Aboard. (February 22, 1996)

Senate Hearing 104–499—Joint Hearing on Economic Espionage. (February 28, 1996)

D. MEMORANDUM OF AGREEMENT REGARDING TIARA AND JMIP

Memorandum of agreement—April 29, 1996, between the Senate Armed Services Committee (SASC) and the Senate Select Committee on Intelligence (SSCI), Relating to the Joint Military Intelligence Program (JMIP) and Tactical Intelligence and Related Activities (TIARA)

The Chairman and Ranking Member of the SASC and the Chairman and Vice Chairman of the SSCI agree to the following arrangements for the review and authorization of TIARA and JMIP:

(1) The SSCI will consider TIARA and the JMIP in its mark-up and will include a recommendation for TIARA and the JMIP in its formal committee report on the annual Intelligence Authorization Act. The SSCI's bill and report, however, will make clear that the only schedule of authorizations the SSCI is recommending to the Senate is the schedule for the National Foreign Intelligence Program (NFIP), and that the SSCI is only making a recommendation for TIARA and the JMIP to the SASC;

(2) The committee staffs will work together and the SSCI staff may attend staff-level conference meetings on the annual Department of Defense Authorization bill in which matters related to TIARA and JMIP are considered; and

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(3) Before a TIARA or JMIP issue is finally closed out in the Defense Authorization conference in a manner with which they disagree, the SSCI Chairman and Vice Chairman will have an opportunity to consult on the issue with the SASC Chairman and Ranking Member.

STROM THURMOND,
SASC Chairman.
SAM NUNN,
SASC Ranking Member.
ARLEN SPECTER,
SSCI Chairman.
J. ROBERT KERREY,
SSCI Vice Chairman.

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Document No. 25

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