

Testimony of
Mr. David Szady

April 9, 2002

Mr. Chairman, Senator Hatch, and other members of the Committee, I would like to express my appreciation to you for inviting me to share my thoughts and provide you with an update on the changes we are making to the Counterintelligence program at the Federal Bureau of Investigation (FBI). I am pleased to be appearing jointly today with Kenneth Senser, Assistant Director of the FBI's recently established Security Division. By necessity the cooperation between our two Divisions is complementary and seamless. Our Director is committed to protecting the full range of U.S. national security interests and has made counterintelligence, along with counterterrorism and prevention, his highest priorities.

Because the world has changed so dramatically, the FBI is making significant changes to its Counterintelligence program. Our end goal is more effective and efficient detection, prevention, and disruption of hostile foreign intelligence activity directed against the United States and its interests. The FBI appreciates your support as we continue to implement these changes across our organization. First, I would like to provide a very brief assessment of the characteristics of the foreign intelligence threats of the 21st Century, for they provide a basis for understanding our new national, centrally managed counterintelligence strategy.

The Threat Environment

The United States today faces an intelligence threat that is far more complex than it has ever been historically. The threat is increasingly asymmetrical insofar as it seeks to exploit the areas where there is a perception of weakness within the U.S. national security approach and organizations. Traditional notions of counterintelligence that focus on hostile foreign intelligence services targeting classified national defense information simply do not reflect the realities of today's complex international structure. Foreign targeting of the elements of national power, including our vibrant national economic and commercial interests, continues to evolve. While traditional adversaries were limited to centrally controlled national intelligence services, today's adversaries include not only these traditional services but also non-traditional and non-state actors who operate from decentralized organizations. Moreover, the techniques and methodologies used to target classified, sensitive, and commercially valuable proprietary information march forward with the advance of technology.

This new environment and the uncertain future that accompanies it present the FBI with new challenges. The FBI's role as the leader of the nation's counterintelligence efforts requires that we understand all dimensions of the intelligence threats facing the nation and match them with new and innovative investigative and operational strategies. The FBI must continually assess and measure its performance against ever-evolving threats found in these new and different environments. The constant parade of new technologies, the vulnerabilities created by them, the extraordinary value of commercial information and the globalization of everything are but a few

examples. The FBI must focus its resources on those actors that constitute the most significant intelligence threats facing the nation, wherever that might come from and in all of these new arenas.

The FBI Response

In response to the increasingly complex intelligence threat environment, the FBI is taking measures that re-orient its counterintelligence strategy, prioritize intelligence threats, and make the requisite organizational and managerial changes to ensure U.S. national security interests are protected. The following initiatives are underway:

Nationally-Directed Strategy

We recognize that in order to mitigate the intelligence threats our country is now facing, we must continually redesign our Counterintelligence program. Historically, when the threat lines were more clearly drawn, counterintelligence at the FBI was largely decentralized, with field divisions setting local priorities and assigning resources accordingly. To effectively recognize and counter the extremely diverse intelligence threats now evolving, a new more centralized and nationally directed, focused, and prioritized program is more effective. By centralizing our program we will ensure the ability of the FBI to be more proactive and predictive in protecting the critical national assets of our country. Centralization cements accountability regarding counterintelligence program direction, control and leadership. Moreover, a centralized counterintelligence program facilitates the FBI's cooperative and collaborative interaction with other members of the United States Intelligence Community. The counterintelligence environment must be transparent.

Our National Strategy will be totally integrated with the Office of the National Counterintelligence Executive (NCIX), or CI-21, to ensure that our efforts are focused on policy driven priorities and that we are positioned to protect identified critical national assets. Our efforts will also be seamless with the CIA to ensure that our counterintelligence efforts extend worldwide.

As part of this nationally directed strategy, I have undertaken a comprehensive strategic planning effort that is providing the FBI with the framework in which to prioritize and address intelligence threats. This framework is based on community-wide analysis and direction and recognizes that there can never be unlimited resources so we must be focused on the greatest threats. This will better position the FBI for the future by changing our performance expectations, management practices and processes and workforce. The central elements of this initiative are:

Development of clear strategic objectives and operational priorities in support of those objectives. As the Assistant Director of Counterintelligence for the FBI, I have responsibility for meeting these objectives and will be held accountable for their successful implementation. Some characteristics of this effort include the establishment of:

A highly trained and specialized Counterintelligence workforce with a management team that reinforces counterintelligence as a specialized priority career within the FBI.

A much stronger operational component within the Counterintelligence Division to include a stronger program management role and specific accountability at Headquarters.

An ongoing system of accountability that clearly defines responsibilities for all elements of counterintelligence both at Headquarters and in the field; and

An enhanced communication strategy that is more effectively communicating counterintelligence policy, plans, priorities, and management concerns throughout the counterintelligence program.

Greatly enhanced analytical support that relies more extensively on highly specialized disciplines and that is interwoven into the intelligence community as a whole.

Organizational Changes

Accepting responsibility to prevent and disrupt foreign intelligence threats and espionage from threatening U.S. national security requires the Counterintelligence Division to adopt a more proactive posture, the kind envisioned by CI-21. In order to fully evolve to this posture, the FBI is developing operational strategies that strategically align our resources in a manner consistent with community-wide national priorities. A fully proactive posture also requires candor in acknowledging our limitations and constraints, and courage in committing ourselves to confront and overcome them. One organizational change I have made consistent with this goal is the establishment of a Counterespionage Section within the Counterintelligence Division from existing base resources. This new section is responsible for managing all of our major espionage investigations. The section also evaluates and prioritizes all existing espionage cases to ensure effective allocation of financial and human resources and expertise to these top priority cases. I want to ensure that these cases are being handled and managed by the most highly skilled and trained FBI personnel.

Resources

In order to meet the challenges ahead of us, I am ensuring that the most important resources the Counterintelligence Division has, its human resources, have the appropriate tools available to effectively implement our mission. While the FBI has historically provided counterintelligence training to new special agents and support personnel and provided specialized courses as advances training, a systematic approach to a comprehensive counterintelligence training regimen applicable throughout an Agent's career has not been in place. The FBI is currently studying its counterintelligence training program. Agents and analysts assigned to work counterintelligence should have a systematic and integrated training program that allows them to continually refine their operational, investigative and analytical skills as their careers advance and a program to ensure that FBI counterintelligence personnel have the same knowledge and understandings as those elsewhere in the community.

Analysis is another area of my focus. Counterintelligence analysis is central to our program, as it not only provides tactical support to ongoing investigations and operations, but is also integral to providing strategic analysis in assessing the foreign intelligence threat we face. With the dissolution of the Investigative Service Division (ISD), many of the counterintelligence analysts have returned to the Counterintelligence Division. It is my job, working with our training

Academy and our new college of analytical studies, to have in place a world class analytical function that operates seamlessly within the larger community effort. I think today's challenges require much greater reliance on, and bring in much greater numbers of, outside subject matter experts to bolster our efforts and understanding.

Information management and intelligence sharing are also two areas that we are improving in concert with the directives established by Director Mueller regarding these subjects. The technology being put in place at the FBI will vastly increase our capability to maximize the value of what we know and, even more basic, to know what we know. These new technologies will be the thread that ties the sum of the community body of knowledge together.

Summary

Counterintelligence and counterterrorism are the FBI's leading priorities. If we are to successfully mitigate the asymmetrical intelligence threats facing us today and in the future, a new approach, new ways of thinking and better technology are required. We are in the process of redesigning the counterintelligence program at the FBI. It will be much more centralized to ensure the program is nationally directed, prioritized, and that appropriate management and accountability measures are in place. The Counterintelligence Division will continue to work closely with the Security Division to ensure that our activities are complementary and that the FBI is able to comprehensively address any internal threats. Through our ongoing comprehensive strategic planning process, we are ensuring that our counterintelligence priorities, performance expectations and management practices are designed in a manner that is responsive to ensuring our national objectives are achieved. We are working to not only ensure that counterintelligence personnel have the best possible tools to conduct their work, but also to enhance the training and experience amongst counterintelligence personnel and to bolster counterintelligence as a specialized and vital career within the FBI.