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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

Senior Review Panel

NIC 9079-83/1
16 December 1983

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

SUBJECT: Report on a Study of Intelligence Judgments
Preceding Significant Historical Failures:
The Hazards of Single-Outcome Forecasting

1. Submitted herewith is the subject report, responding to your request.

2. In this report we have attempted to determine the causes, in instances when the Intelligence Community did not adequately anticipate significant events on the world scene, and to identify measures which might improve performance in the future.

3. In addition to yourselves, we have sent this report only to the Chairman, National Intelligence Council. Should you wish further distribution, we would be pleased to follow up as needed.

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SUBJECT: Senior Review Panel Study of Intelligence
Judgments Preceding Significant Historical
Failures: The Hazards of Single-Outcome
Forecasting

I. Setting

1. This report summarizes the Panel's findings in an inquiry you directed it to make on the quality of intelligence judgments preceding significant historical failures over the last twenty years or so.

2. We used as a basis the cases you nominated for review and added a few others which have also had major consequences for US interests. For each we have prepared brief monographs appended to this report as attachments. Chronologically, the field we surveyed includes:

<u>Case</u>	<u>Critical Date</u>	<u>Attachment Tab</u>
The Likelihood of North Vietnam Intervention in South Vietnam	1945-1965	A
The Likelihood of All-Out Soviet Support of Hanoi	1950-1965	B
Cuba	1957	C
Sino-Soviet Split	1959	D
First Chinese Nuclear Test	1964	E

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The Soviet ALFA-Class Submarine	1969	F
Libya	1969	G
The OPEC Price Increase of December 1973	1973	H
Ethiopia	1973	I
Afghanistan	1978	J
Iran	1978	K
Nicaragua - The Nature of Somoza's Opposition	1978	L

3. Our method of approach in general was to concentrate on Community and Agency publications--including typescripts and periodical articles--in the two or three years preceding the critical or transforming outcome. The retrieval effort varied widely, from a few years back to over twenty-five, and depending on the publications record, from less than a hundred items for each to more than four hundred. For each of our case studies, we attempted:

a. To determine the main lines of the analytical and estimative judgments of the period.

b. To examine the extent to which these judgments were supplemented by the use of alternative hypotheses, speculative analyses going beyond developments strongly supported by the evidence, or conjectures about lesser probabilities than favored outcome forecasts.

c. To judge whether more speculative approaches might have proved in the end more realistic and succeeded in alerting the policy community earlier to outcome potentials largely ignored at the time.

4. The attached case studies, while often reflecting discussions within the Panel, are individual essays by its members, as shown by initials at the end of each. The report's findings and views, which follow, have the concurrence of all Panel members.

II. Findings

5. Both Community processes and Agency analytical quality have significantly improved in the last two or three years. No one we think can fairly read the record of these case studies without reflecting on recent qualitative improvements in the system. NIEs/SNIEs of the present period are simply better

written, better presented, more timely, and more relevant to policymaker needs. Recent Agency assessments provide better coverage, are analytically more thorough, have frequently superior estimative quality. We much doubt, for example, that practice today would overlook--for several years before and after--overseas developments of a significance to US interests similar to those in Libya in 1969, Ethiopia in 1974, Afghanistan and Nicaragua in 1978.

6. The one area in which we think contemporary production has not much improved is length of papers. Apart from technical studies, where special considerations apply, too many estimates remain too long for useful communication between the intelligence and the policy communities.

7. The strength of performance in the cases we have examined lay in the promptness, extent, and variety of current intelligence production. The main weaknesses were in analytical integration and estimative projections. These conclusions seem to us valid for each of the cases we have studied. But we do not think that all of them should be considered "historical failures."

a. Vietnam remains controversial, and it may be some years yet before history has a verdict on intelligence performance, as on other kinds of performance there. As we read the record, intelligence publications were throughout generally careful, realistic, and thorough. There were occasional errors of fact and interpretation, as in the use and utility of Sihanoukville. There was more of a tendency to overestimate the effectiveness of our initiatives than to underestimate those of our opponents. There were few--too few--broadly ranging strategic analyses. But on the two key issues we were asked to examine--North Vietnamese intervention in the South and all-out Soviet support to Hanoi--our conclusions are that the policy community and the Executive agencies had an adequate, if diffuse, body of intelligence available and that there is little basis to conclude that either constituted a strategic surprise.

b. Similarly, on Cuba and the significance of Castro a year or two before he took power and on Nicaragua and the nature of the opposition to Somoza, the argument can be made that the exercise of Community processes was belated, that early Agency assessments remained ambiguous longer than was desirable, and that there was too little speculation in the period when evidence was thin. But there seems to us no persuasive conclusion of failure. From 1957 on in the case of Cuba and from 1978 on Nicaragua, Community and Agency assessments clearly documented and projected the orientation of the main players and the probable and actual outcomes.

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c. And on the first Chinese nuclear test, occurring in 1964, the Community scored a successful prediction--albeit for a number of very wrong reasons.

d. The other cases seem to us clearly a set of faulty intelligence judgments. In most, last minute or early retrospective analyses soon corrected the record, but there were significant failures to assess the direction of events and the strengths of competitive forces; to estimate goals, directions, and the velocity of events; and to anticipate probable outcomes early enough to alert policymakers to emerging new situations.

8. In the estimates that failed, there were a number of recurrent common factors which, in retrospect, seem critical to the quality of the analysis. The most distinguishing characteristic of the failed estimates--the Sino-Soviet split, the development of the ALFA submarine, the Qadhafi takeover in Libya, the OPEC price increase, the revolutionary transformation of Ethiopia, the Soviet invasion of Afghanistan, or the destruction of the Shah's Iran--was that each involved historical discontinuity and, in the early stages, apparently unlikely outcomes.

9. The basic problem in each was to recognize qualitative change and to deal with situations in which trend continuity and precedent were of marginal, if not counterproductive, value. Analysts of the period clearly lacked a doctrine or a model for coping with improbable outcomes. Their difficulty was compounded in each case by reluctance to quantify their theories of probability or their margins of uncertainty. Findings such as "likely," "probable," "highly probable," "almost certainly," were subjective, idiosyncratic, ambiguous between intelligence producer and consumer, uncertain in interpretation from one reader to another, and unchallenged by a requirement to analyze or clarify subordinate and lesser probabilities.

10. Too many of the analyses were incident-oriented and episodic; too few addressed the processes that produced the incidents or speculated about underlying forces and trends. And in many of the cases, information sources were not sufficiently representative, were themselves prisoners of continuity assumptions, and were ultimately overtaken by sequels they failed to foresee.

11. In our view, however, the major factor in the failed estimates was overly cautious, overly conservative, single-outcome forecasting. Many of their judgments can be faulted in hindsight as clearly wrong. The case against them, however, is not so much retrospective error as contemporary inadequacy. For the most part, they rested on the prevailing wisdom of the time

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and were reinforced by professional assessments of the available evidence.

12. But in none of the flawed cases did contemporary analysts present or analyze, in their publications of record, alternative outcomes; speculate on possible developments suggested but not fully supported by "hard evidence;" or conjecture about lesser possibilities than their preferred most probable projections.

13. This addiction to single-outcome forecasting defied both estimative odds and much recorded history. It reinforced some of the worst analytical hazards--status quo bias and a prejudice towards continuity of previous trends, "playing it safe," mirror-imaging, and predispositions towards consensus intelligence. It was compounded by what the British call "perseveration" (a tendency for judgments made in the early stages of a developing situation to be allowed to affect later appraisals and an unreadiness to alter earlier views even when evidence requiring them to be revised becomes available) which narrowed collection requirements and froze their priorities to overtaken analytical frameworks. The practice invited failure.

III. A Few Observations

14. In our view, the central problems that emerge from our study are how to deal with inevitable uncertainty, how to manage concurrently both greater and lesser probabilities and how to cope with discontinuity and apparently unlikely outcomes. Single-outcome forecasting is clearly less than an ideal approach to these problems.

15. To attack them, probably the most important requirement is to increase sensitivities on the part of middle-level managers and analysts alike that these are in fact real problems and that failure to deal adequately with them will be invitational to repeated failures, both in the substance of projections and in the timeliness of intelligence advice.

16. The world will stay a chancy and changeable place and the only rule is perhaps that there is an inevitability of uncertainty which we ignore at our peril. Information at best will always be in some part fragmentary, obsolete, and ambiguous. "Hard evidence" about the future will remain a contradiction in terms. Intelligence professionals can, and should, attempt to decrease uncertainty, the number of surprises, and the unexamined consequences of their interacting variables. They cannot hope to live in an environment immune to the contingent, the unexpected, and the unforeseen.

17. The need is for estimative resources and efforts that are highly flexible, that take into account the extraordinarily

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complex array of matters which determine future developments, that have a significant surge capacity, and that are addressed to contingent futures. Single-outcome forecasts poorly serve this requirement. They do not reduce uncertainty. They only increase the margins of surprise.

18. A number of your initiatives are obviously addressed to these issues: improved substantive leadership, more sophisticated training methodologies, heightened precision in collection targeting and techniques. We believe that substantial improvements have been made in the last several years.

19. To reduce and respect the claims of uncertainty and surprise, we think a few other substantive and procedural techniques merit consideration in the production of Community estimates (and, for that matter, Agency assessments) concerned with probable outcomes. In most such analytical problems, there is an initial distinction between two categories of cases:

a. Those in which the likely outcome and the distribution of probabilities cannot be agreed.

b. Those in which there is consensus on the likely outcome, but differences on the degrees of probability to be attached to it and to conceivable but less likely developments.

20. The former seems to us the easier case. Where there is no agreement on the most likely line of development--if the estimate cannot be deferred for further collection and analysis--greater reliance on separate, adversarial and competitive analyses would seem appropriate. The competing analyses, by whatever means derived, should go to the NIC for its collegial consideration and advice on relative probabilities. Any subsequent publication should, of course, contain analyses of the competing outcomes.

21. For the other category of cases, perhaps the preponderance, where there is general agreement on likely outcomes, we think that, as a general rule, NIEs/SNIEs should include an "Alternative Outcomes" section. Its main purpose would be briefly to spell out lesser probabilities and other possible developments--not fully supported by the evidence but suggested by visible clues, fugitive data, or newly emerging trends or personalities.

22. For the technique to work, two further changes in NIE/SNIE format would be indicated:

a. Probabilities in both majority and minority cases should be quantified. We do not favor elaborate arithmetical calculations or definitions. We think some rough

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approximation--"slightly better than even," "two to one," "three to one," or possibly even "four to one"--would cover most human events and be sufficiently precise for clear communication between intelligence producers and consumers and among disparate policy readers. Apart from this added clarity, the value of the approach would be to emphasize the possible prospects for alternative outcomes and to provide improved guidance for the collection community.

b. A list of future indicators should invariably be included. Its aim should be to underline those contingent developments, decision points, and future policy crossroads which could affect the durability of the analysis, alter its major judgments, or influence the odds on outcomes.

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23. In the past generation, many Western analysts have assumed that, as the era of colonialism has drawn to a close, major change, systemic revolutions and radical transformations of society would be less frequent and progress toward democracy and peace more assured. Government change, palace revolutions, coups, etc., might occur but there would be fewer cases of historical discontinuity capable of fundamentally transforming political and social circumstances or abruptly altering power relationships. We think this a highly mistaken view. Over the next 20 years, the Community may well confront analytical and estimative challenges, no less severe, and very possibly much more complex, difficult, and dangerous, than those reviewed in this study. The prospects for historical failures will be no less present, and we must prepare for them.

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Attachments:

Tab A through L

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SUBJECT: Senior Review Panel Study of Intelligence Judgements
Preceding Significant Historical Failures: The
Hazards of Single-Outcome Forecasting

SRP/DCI:tb (16 Dec 1983)

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THE LIKELIHOOD OF NORTH VIETNAM INTERVENTION IN SOUTH VIETNAM

The emergence of Ho Chi Minh as the leader of the Vietnamese Nationalist movement began in obscure maneuverings by revolutionary Vietnamese groups at least as early as the 1920s if not before.

In the broad objectives of these disparate groups, it was always a cardinal tenet that the Vietnamese should one day be unified under their own government and that they would secure a position of primacy over the other peoples of Southeast Asia.

Therefore, there was never any substantial confusion within the Intelligence Community with respect to the aims of the Lao Dong (Communist) party that it intended one day to control all of Vietnam. What was in dispute was the party's ability to accomplish these objectives and the degree to which the North Vietnamese were acting as agents of the world Communist movement.

Vietnam is second in importance only to the Soviet Union as reflected by the number of SNIEs and NIEs which have been published on its activities. At least 34 NIEs and 30 SNIEs are listed since the first, NIE 5, was published in 1950.

Vietnam was an important factor in a large number of ancillary intelligence documents in which the primary focus was on China, Laos, Cambodia, South East Asia, etc.

NIE 5 was remarkably prescient, if sobering. The paper questioned whether the French had the will to remain, speculated that the Chinese might already have intervened, acknowledged that Viet Minh capabilities were growing faster than the French, that the Viet Minh could probably drive the French out of North Vietnam within six to nine months and finally concluded that "control of the Viet Minh would eventually entail Communist control of all Mainland Southeast Asia in the absence of effective Western assistance to other countries in the area."

If Ho Chi Minh always intended to reunify Vietnam and its peoples under his leadership, he nevertheless was a realist. After losing his initial grab for complete control in August of 1945, he began methodically to pursue the ultimate victory by securing a series of intermediate objectives.

His initial reverse was dealt by the British General Gracie who was instructed to disarm the Japanese south of the 17th parallel while the Chinese Nationalists performed the same task north of the parallel.

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General Gracie not only released the French forces incarcerated by the Japanese toward the end of the war, but he rearmed them and also permitted the Imperial Japanese forces to retain their arms. General Gracie took these measures to maintain control of the population pending the arrival of sufficient allied forces. In the South these actions largely aborted the success achieved by the Viet Minh under the more relaxed actions of the Chinese Nationalists north of the 17th parallel.

Subsequently, the French succeeded in driving Ho Chi Minh and his forces out of Hanoi. General Giap and the Viet Minh retreated into the jungles and began the long series of campaigns which continue to this day as they seek to establish their hegemony over South East Asia.

There were several discrete steps taken in the expansion of North Vietnamese control over the remainder of the country.

The first phase was devoted to clearing the French from the Vietnamese territory north of the 17th parallel to the Chinese border. These efforts continued from 1946, when the French retook Hanoi, until 8 May 1954 when Dien Bien Phu fell.

The North Vietnamese confidently expected that they would assume complete control of the nation as the fruit of the subsequent peace negotiations which followed. They were denied this reward in part due to a lack of support by the Soviets. They had to settle for half the country, with an election to determine the fate of the provinces south of the 17th parallel to be held at a later date.

The second phase was designed to reunify the ethnic Vietnamese under a single government dominated by the Lao Dong party.

The third phase was to extend the influence of Vietnam over Laos and Cambodia.

The struggle continues in its third phase to this day.

Early estimates reflect our dependence on French sources and the tendency of the French to manipulate and filter the raw intelligence to suit their own national purposes.

For example, NIE 91, "Probable Developments in Indochina through Mid-1954," dated 4 June 1953, stated "The Viet Minh do not have, and probably cannot develop within the period of this estimate, the capability to make such effective use of heavy

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equipment--artillery, armor, and aircraft--from Chinese Communists as to permit successful attacks against strong concentrations of regular French forces." Eleven months later Dien Bien Phu fell partially because of Viet Minh anti-aircraft and field artillery support in the siege.

Two weeks before the final agony of the French forces inside the perimeter, a memo to the Director stated "We believe on the basis of information presently available the French will be able to hold . . .". The paper was more accurate in estimating the political and psychological consequences of a French defeat.

NIE 63-7-54, published 23 November 1954, could well be a model for clear, concise estimation. It laid out unequivocally the course of action the North Vietnamese pursued until their final victory. These judgments were confirmed in NIE 63.1-2-55 in April 1955 and SNIE 63.1-4-55 in September.

An optimistic note began creeping into the publications with NIE 63.1-3-55 in October 1955. The estimate concluded that Ngo Dinh Diem, then the president of South Vietnam, had made progress, that he would be able to cope with his non-Communist opposition. The paper accepted that there were 10,000 North Vietnamese military deployed in South Vietnam.

In July, NIE 63-56 accepted a figure of 8-10,000 armed Communists plus a political network in SVN and considered that these forces posed a serious internal security problem. The North Vietnamese Army was pegged at 266,000 and speculated that of the 95,000 men evacuated from South Vietnam at the time of the armistice, some may have been retrained and perhaps even reinfilitrated. The paper estimated the North Vietnamese cadres would not be able to develop widespread support.

In May 1957 NIE 63.2-57 concluded the NVN government had lost support due to its clumsy efforts to reorganize agriculture.

NIE 63-59 published in May 1959 estimated there were 2,000 active guerillas, acknowledged hit and run raids, intimidation, and assassinations had increased but considered the prospects of reunification of the North and South to be remote.

In August 1960 an atmosphere of pessimism pervaded NIE 63.1-60. It concluded that the trends in the past six months were adverse to the stability and effectiveness of the Diem government.

A year later NIE 14.3/53-61 stated a major Hanoi directed Communist offensive against the Diem government directed toward the reunification of Vietnam under Communist control was under

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way. The Viet Cong hard core had risen to more than 12,000 with several thousand additional supporters. Half the area south and southwest and several areas northwest of Saigon were under extensive control of the Communists. The paper suggested that with continued high levels of US aid and effective SVN efforts, the Viet Cong control of large areas could be reduced. The paper speculated that the death of Diem could provide the Communists with an opportunity to seize control of the government.

In 1961 SNIE 53-2-61 traced the infiltration routes for men and supplies and analyzed Viet Cong operations. Viet Cong strength was estimated at 16,000 despite recent losses of 1,200.

In April 1965 SNIE 53-65 was published just prior to our major escalation with the introduction of US ground forces. This document concluded that Communist progress had been blunted and that the situation was improving. The paper considered it unlikely that in view of open US commitment, the North Vietnamese regime would either resort to direct military attack or would introduce overt North Vietnamese military units into the south. The paper stated the Viet Cong could be contained militarily and progress could be made in expanding the area of government control. However a note of caution was included admitting that the course of the war could not be predicted with any confidence and that the capacity of the government to embark on required measures was questionable.

In reviewing the mass of documents produced by the Intelligence Community, although not immune to the fads that seized the US Government from time to time, they nevertheless stand up quite well.

It might be fair to say, however, that the publications of the Intelligence Community did not prevent US policymakers from reaching several erroneous judgments.

US policymakers overestimated the deterrent value of successive incremental escalations of the application of force in our efforts to stabilize South Vietnam.

US policymakers underestimated the resourcefulness of the North Vietnamese in their ability to adjust to the new level of conflict after we had raised the ante.

The Intelligence Community disagreed on two issues. One, the quantity of supplies entering South Vietnam by sea through the port of Sihanoukville, between 1967 and 1970, and second, the strength of the Viet Cong forces within South Vietnam prior to the Tet Offensive of January 1968.

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Although these were significant issues and although the controversy continues to this day, the conflicting views were readily available to all the field commanders who were free to base their operational plans on their personal estimate of the enemy situation. It is, therefore, difficult to ascribe to the Intelligence Community principal responsibility for the less than successful outcome of the conflict.

If the judgments whipsawed between optimism and pessimism, it must be realized that events moved dramatically as incidents and coincidents collided with forces quite outside the applicable arena of the conflict.

Our domestic political climate, the Sino-Soviet split, the assassination of President Kennedy, the ouster of Premier Khrushchev, and so on, had impacts on events which the Intelligence Community could hardly be expected to anticipate in concert.

The results of our efforts in Vietnam leave little to point to with satisfaction, but the Intelligence Community can claim with considerable validity that it has fewer errors to rationalize than most, if not all, of the other agencies involved in that lamentable conflict.

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THE LIKELIHOOD OF ALL-OUT SOVIET SUPPORT OF HANOI

From 1945 to 1950 the Soviet Union seems to have been preoccupied with problems closer to home and to have paid little attention to the events in Vietnam.

However, Chinese Nationalist assistance and support began during the war years and was designed to tie down Japanese imperial forces which would otherwise have been available to increase the pressure on the Chinese forces further north.

With the victory of the Chinese Communists over the Chinese Nationalists in 1949, Ho Chi Minh found fraternal support from his Communist neighbors to the north. What arms and equipment were available to the Viet Minh from the days of World War II through the early 1950s appear to have been captured from the Japanese or the French, or were items supplied by the Chinese of Chinese manufacture.

It was not until January 1950 that Ho Chi Minh journeyed to Moscow and signed a pact with the Soviet Union. Soviet arms began arriving about a year later. It would seem that the Soviet Union initially acted as a backup supplier. Basic North Vietnamese requirements continued to be satisfied by the Chinese Communists. However, as the level and the complexity of the conflict escalated and more sophisticated weapons systems were required to cope with the challenge of the US supported South, the Soviet Union made available its arsenal of weaponry and equipment. By 1965 the USSR had assumed the responsibility for providing from 70 to 95 percent of the military aid received by Hanoi. This included SAMs, AA guns, aircraft, trucks, radar jet fuel, etc. China continued to supply some of the simpler weapons for the infantry, some ammunition, a few aircraft and some trucks.

Although some of our estimates speculated about the problems created for North Vietnam by the Sino-Soviet split, the conclusion was consistently drawn that though the rupture posed difficult dilemmas, North Vietnam would continue to receive needed support from both of its Communist allies. Events bear witness that the Chinese and the Soviets, whatever their differences, responded adequately to the needs of the North Vietnamese.

As each South Vietnamese or US threat developed and was recognized, the North Vietnamese set about developing an effective response. Tactics, techniques, and equipment as

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necessary were brought together; troops were trained and fielded expeditiously.

The Chinese provided troops to maintain the rail lines entering Vietnam from China and the Soviets initiated a sea lift to maintain a steady flow of essential supplies. The frequency and momentum of North Vietnamese operations was a function, more of the capability to move supplies down the Ho Chi Minh trail, than the availability of this material in Hanoi.

It is difficult to fault the Intelligence Community for their performance in predicting the level and character of Soviet support. NIE 63-7-54, published 23 November 1954, is a model of clear, concise estimation. It laid out succinctly the broad outlines of the strategy which the North Vietnamese pursued relentlessly until their final victory.

NIE 63.1-55, published on the 19th of July 1955, concluded that the Sino-Soviet Bloc would almost certainly provide sufficient economic and technical assistance to meet minimum requirements. The estimate noted that the North Vietnamese regular army had been receiving new and heavier military equipment from Communist China. The NIE specified that East Germany, Poland, and the Soviet Union had promised to send needed equipment, machinery, and technicians to train North Vietnamese personnel. The USSR had negotiated with Burma for supplies of rice.

NIE 63-56, published in July 1956, detailed Bloc grants to North Vietnam. It was estimated that China had contributed \$300,000,000 and the USSR \$100,000,000.

NIE 63.2-57, published in May 1957, described the developing complexity of the North Vietnamese armed forces which by this time included a 268,000 man army, a small navy which was considered a maritime adjunct of the army, and a quasi air force. The estimate admitted it had little information on either the number of advisors or the current extent of Chinese (or Soviet) military assistance to North Vietnam.

By 1959 the Community concluded that North Vietnam had been bolstered by over \$500,000,000 worth of Bloc aid. China had supplied 55 percent, USSR 30 percent, and the rest came from the satellites. Military aid was in addition to that amount of economic support. The paper stated that military aid, in violation of the Geneva Agreements, was being received from the Bloc but precise information on types and amounts was not available. The estimate speculated that "In the event of large

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scale hostilities, the North Vietnamese would almost certainly be supplied with logistical support as needed."

By 1961 estimated Bloc economic aid had risen to \$900,000,000. The North Vietnamese armed forces now were described as including a small coastal naval force and an incipient air force. The paper described specific shortages and concluded that most military aid was still coming from Communist China.

On 7 November 1961, a SNIE entitled "Probable Communist Reactions to Certain US Actions in South Vietnam" was published. This was the first of the "What if" papers. In this estimate the Community concluded "The USSR would almost certainly try to take the lead in supplying whatever military assistance was necessary in order to maximize its control over the situation."

SNIE 58-51-62, dated June 1962, was a second "What if" paper which considered Bloc reactions to various US escalations. The anticipated Bloc reactions outlined in the paper were remarkably faithful to the course of events as they later unfolded.

SNIE 14.3-64, dated 4 March 1964, traced the progress of the North Vietnamese army back to 1954. By now the army was credited with having adequate stocks of conventional equipment, thanks primarily to Chinese assistance, to include light and medium anti-aircraft artillery acquired through Soviet and Chinese sources. There were indications that Soviet tanks had been supplied. The navy was credited with 28-30 gunboats, 12 Soviet motor torpedo boats, and 4 submarine chasers. The air force was not believed to have any combat aircraft at the time. There was a description of the North Vietnamese air defense system which included 29 early warning radars.

Again, in SNIE 50-2-64, dated 24 May 1964, entitled "Probable Consequences of Certain US Actions With Respect to Vietnam and Laos," the judgments were sanguine and affirmed "The USSR . . . would probably offer various weapons and air defense equipment."

SNIE 10-65, dated 4 February 1965, preceded our government's decision to intervene massively with ground forces. In discussing the role of the USSR in paragraph 12, the paper speculated that Premier Kosygin's projected visit to North Vietnam carried forward the trend of increasing Soviet involvement in this area which began directly after the fall of

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Khrushchev. The paper continues: "We believe the USSR now hopes to rebuild influence in Hanoi and to deter the US from expanding the scope of hostilities. To this end the Soviets would probably increase their military and economic assistance to North Vietnam to include additional air defense equipment and perhaps jet fighters and surface-to-air missiles. They would probably also offer a full line of equipment for use in insurgency and subversion. The paper doubted the Soviets would undertake the military defense of North Vietnam or run very high risks to protect it." Again the Community estimate corresponded with the events as they unfolded in the months ahead.

General Bruce Palmer in his review of intelligence performance in South East Asia cites one logistic dispute in which the CIA appears to have committed a significant misjudgment. During the years 1967-1970, CIA seriously underestimated the volume of supplies entering Sihanoukville by sea and moving overland to the Vietnamese Communist forces in II, III, and IV corps zones.

With this exception, a review of the primary documents published by the Intelligence Community from 1950-1974 indicates a good grasp of the sources and quantity of assistance to the North Vietnamese. The growing role played by the USSR in providing weapons and supplies is well covered. Estimates in general realistically estimated the degree and extent of Soviet support.

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CUBA

Summary Evaluation; During the years 1957-1960, Intelligence Community estimative performance was fairly creditable, alerting senior US Government officials to the likelihood of Communist domination of the Cuban regime, its expected anti-US and pro-Soviet nature, and anticipating Cuban support for subversion in the rest of Latin America. On the matter of Fidel Castro's own beliefs and intentions, Community assessments were more ambiguous in the early days of the revolution and the post-Batista government, but clearly documented his growing acceptance of Communists and Communist doctrine.

There were no CIA analytical studies of record on Cuba during this period, but reporting in the Current Intelligence Weekly Review was timely in noting developing Communist influence.

Communist Domination. Four months after Castro and his minuscule force landed on Cuba (2 December 1956), a National Estimate--NIE 8-57, "Political Stability in Central America and the Caribbean Through 1958", (23 April 1957)--warned that Communist capabilities were likely to increase in Cuba, although they did not then represent a serious threat to any regime in the area. The Batista regime was given only an even chance of surviving the period of the estimate, with a military junta the most likely successor.

By November 1958, SNIE 85-58, "The Situation in Cuba," was pointing out that the situation lent itself to Communist influence in the 26th of July Movement. The two succeeding SNIEs in 1959 pointed to growing influence of the Communists, identified Raul Castro and Che Guevara as staunchly pro-Communist, and described the assignment of Raul, Che, and other Communists to key governmental positions. Three Estimates in 1960 projected the essentially total domination of the country by the Communists, the close ties with the Soviet Bloc, and Cuban intentions to support revolutionary groups in other Latin American countries.

Fidel Castro. The several papers referred to above also attempted to assess Castro's intentions, ideology, and views of Communism. Early-on (November 1958) he was described as an agrarian reformer, not originally anti-US, but having recently adopted an anti-US propaganda line used by Moscow. Subsequent Estimates showed his gradual acceptance of Communist support,

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tolerance of Communists in both the 26th of July Movement and the government (especially Raul and Che), and his personal commitment to assist revolutionary groups elsewhere. Even in late 1959 it was judged, however, that neither Raul, Che, nor the Communists were able to force Fidel to adopt policies he opposed. Fidel was seen as dominant, and not disposed to accept actual direction from foreign sources, but susceptible to Communist influence because his views and their line in Latin America were parallel, and he needed their support.

In a mid-June 1960 Estimate, NIE 85-2-60, "The Situation in Cuba," although the Community was still unable to decide whether Fidel himself was a Communist, it was stated that he regarded them as helpful and reliable, and judged it difficult and largely academic to distinguish the policies and actions of the regime from those of an actual Communist government.

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SINO-SOVIET SPLIT

The Sino-Soviet Alliance was formalized by treaty executed on 14 February 1950. The first NIE dealing with the relations between the two nations, NIE 58, "Relations Between the Chinese Communist Regime and the USSR: Their Present Character and Probable Future Courses of Action," was produced in September 1952. This paper concluded that Peking accepted Moscow's leadership in the world Communist movement. The Estimate acknowledged that the Chinese retained some capability for independent action and were in a position to influence the formulation of Communist policy in the Far East.

The paper surfaced the major issues which the two nations were likely to find contentious in the years ahead. Quite prophetically it speculated that Soviet efforts to extend their control over the Chinese would in the long run weaken the bonds between them.

In June 1954, NIE 11-5-54, "Soviet Capabilities and Main Lines of Policy Through Mid-1959," discerned no change in the basic relations between the two countries.

It was in 1956 that the Chinese began publishing their views on Bloc matters and in 1958, over Soviet reservations, they adopted the "Commune" program to speed their progress to Communism.

NIE 11-4-58, which forecast the main trends in Soviet capabilities and policies 1958-1963, accepted the premise that China's growing power had made the Sino-Soviet relationship more nearly one of equality. However, the paper stated that though frictions might make the relationship more sensitive and difficult, there would be no serious split between them.

This conviction was reaffirmed in NIE 11-4-59, "Main Trends in Soviet Capabilities and Policies 1959-1964," which stated that the Soviet Union and Communist China remained firmly allied against the West and that this relationship would almost certainly continue for the period of the estimate. The disagreement over the Chinese attempt to short cut the road to Communism via the "Commune" program was discussed and the paper estimated that China would increasingly exercise independent judgment on internal and external matters. Finally, the study concluded that each nation would in the future act more in terms of its own perception of its national interests and needs, but that both nations would recognize that a firm alliance was vital.

The break surfaced for all the world to see in the period between February 1959 and June 1960. In February 1959, Khrushchev claimed primacy for the Soviet Union's position in guiding the march toward Communism. In October of that year in a

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speech in Peking he clearly implied Soviet disapproval of China's truculent foreign policy. The Soviets were openly bitter with the Chinese over their attacks on Soviet adoption of a policy of "detente" with the West. In June 1960 Khrushchev attacked China's dogmatism and narrow nationalism.

NIE 13-60, dated 6 December 1960, almost six months later, stated "The most important development of the past year in Communist China's affairs has been the breaking out of the long smouldering Sino-Soviet dispute over Communist world policy."

A review of the papers published during the period 1952-1960 reflects consistent caution in challenging the prevailing conventional wisdom that held the view that world Communism was a monolithic movement presided over by the Soviet Union.

The papers did identify the sources of the divisive strains. They speculated about the extent of the conflicting forces but until 1960 in each case concluded that the rifts would be contained.

It was not until NIE 13-60 was published on 6 December 1960 that the Community accepted the reality and irreversibility of the split.

The persistence of the view that the Soviets and Chinese would maintain a superior subordinate relationship was a conservative position for the US Intelligence Community to maintain. On a "worst case" basis if US courses of action were based on the assumption of continuing Sino-Soviet unity, any developments which diminished this unity would logically be less challenging to the achievement of US objectives to maintain peace and stability in the world than would be the case if there was a split.

In spite of this evident bias, the indicators of growing conflicts between the partners were presented in timely fashion. Speculations as to the future courses were submerged by the rational argument that the interests of the two Communist powers would not be served by a rupture.

In total, the Community appears to have done a credible job in identifying, tracking, and presenting the emerging evidence of the growing disputes between the two countries.

The Intelligence Community, however, clung to a conservative view that in spite of the growing frictions between them, self interest would prevail and no major rupture would occur. Conventional wisdom prevailed.

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FIRST CHINESE NUCLEAR TEST

Summary Evaluation. Community estimates of early 1962 and mid-1963 relating to the Chinese nuclear program represented a comedy of errors, resulting in an intelligence success.

Drawing on limited information, in 1962 it was thought the Chinese could have produced enough material, by late 1961, to load an as yet undiscovered plutonium (Pu) production reactor to produce enough material for a Pu-based explosive by early 1963. By mid-1963 an installation at Pao-tou had been identified as a probable Pu production reactor, capable of providing enough material for a test device, under ideal circumstances, by early 1964, although dates in late 1964 or 1965 were more likely.

An installation at Lanchou had been identified in airborne photography of 1959 as a uranium-235 (U-235) gaseous diffusion plant, but in 1963 it was estimated it probably could not enrich enough material for a test before 1966, although 1968 or '69 were thought more likely.

When the test actually took place, on 16 October 1964, it was discovered that the device was based entirely on U-235; subsequently, it was determined that the facility at Pao-tou was not a Pu-production reactor at all, and the first use of Pu in a test occurred in 1968, using material from a facility at Yu-men, which was not found until 1966.

Thus, while the timing of the first test was reasonably well anticipated, it was an accidental coincidence, based on incorrect analysis of limited data. It also was the result of inadequate appreciation of Chinese technical skills, innovativeness, and determination in pushing forward with the U-235 gaseous diffusion plant after the Soviet departure in 1960 left them with a partially completed facility. It represented a single-minded commitment to a preconceived notion of the Chinese approach.

The Chinese Nuclear Program. The Chinese nuclear program was established in the 1950s with major assistance from the Soviets, who provided scientific and technical training, and aided in the construction of uranium mining and processing plants, plutonium production reactors, a gaseous diffusion plant for U-235 enrichment, and weapons design. The Soviet departure in mid-1960 introduced delays in the Chinese program.

An Estimate of 25 April 1962, NIE 13-2-62, "Chinese Communist Advanced Weapons Capabilities," judged that enough

uranium metal could have been produced by September 1961 for a single 200 MW load for an as yet undiscovered reactor. If full power operation had been achieved early in 1962, enough Pu could be available about a year later for a single weapon test. All this assumed no delays and no difficulties. This was considered unlikely, and a first test would be delayed, perhaps by as much as several years. No evidence of construction of a Pu production facility had been found by photographic coverage. A building at Lanchou, seen in airborne photography of 1959, was thought to be part of a gaseous diffusion plant, but the absence of electrical power and the belief that an additional building would be required to produce weapons grade U-235 led to the conclusion that an all-U-235 or composite device could not be tested before 1966.

New information, especially photographic, led to the judgment, in SNIE 13-2-63, "Communist China's Advanced Weapons Program" (24 July 1963), that the Chinese advanced weapons program was more ambitious than previously thought. Gaps in information were still substantial, but a probable Pu production reactor had been found at Pao-tou. Pu from this reactor alone, it was believed, could lead to a device in early 1964 at the earliest, and late 1964 or 1965 with even normal difficulties. It was judged that there possibly were more Pu production facilities than the one identified, however, and therefore the Chinese perhaps could achieve a first detonation of a Pu-based device at any time. Electrical power serving the gaseous diffusion plant had been noted in photography of March 28, 1963, but it was judged that the Chinese probably could not produce weapons grade U-235 before 1966, and that 1968 or 1969 were more likely dates.

The Nuclear Test. A 26 August 1964, SNIE 13-4-63, "Chances of an Imminent Communist Chinese Nuclear Explosion" reviewed new photographic evidence and concluded that a suspect facility at Lop Nor was a nuclear test site which could be ready for use in about two months. The weight of evidence indicated, however, that the Chinese would not have enough material (Pu) for a test in the next few months--on balance, not before end of the year.

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The Estimative Problem. Information on the Chinese nuclear program was sparse, of uncertain validity, and infrequent provenance in the early 1960s. Photographic inputs were particularly scarce. The Community accidentally predicted the timing of the first test fairly accurately. Although based on misinterpretation, senior consumers had been alerted some two and a half years earlier, that a detonation could take place as much as a year before its actual occurrence, but more likely at about the time of the event. The failure to predict the production and use of U-235 is traceable to both insufficient information and a lack of appreciation for Chinese technical skills, innovativeness, and determination, in the absence of Soviet help. In all, there was a preconception of the likely Chinese approach, and a failure to consider seriously alternative options.

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THE SOVIET ALFA-CLASS SUBMARINE

(NOTE: We include extracts from a December 1981 Senior Review Panel memorandum to you because we consider them relevant to the present study.)

Significance. The Soviet ALFA-class submarine is a weapon system of impressive capabilities deriving from technological achievements which are, largely, well ahead of US levels. Although the decision to develop and build the ALFA dates back to 1956, and the first hull was seen under construction in 1967, it was not until the late 1970s that the Intelligence Community began to appreciate the nature of this new system and not until July 1979 that a fairly complete system description was published.

Summary Evaluation. The Intelligence Community's performance was spotty. Although a CIA paper of 1971 had introduced the reasonable, although lesser, probability that the ALFA hull was titanium, there was no concerted effort until 1979 to explore the operational or strategic consequences, if that probability proved to be correct. Analytical efforts to combine and integrate work separately done on hull, propulsion, and guidance and control sub-systems were belated. Neither on an individual agency nor on a Community level was a group established to carry out analysis, using all relevant disciplines, and technological parametric extrapolations of possible system performance.

In analytical performance, the Panel has been impressed by three points:

- a. The high level of expertise of a number of technical analysts in the Community, who had to deal with a very difficult intelligence problem.
- b. The excellent quality of several of the analytic papers, which showed a high degree of technical sophistication and intelligence insight, as contrasted with the rather inadequate organizational or institutional approach to the problem.
- c. The virtual absence of broad, speculative strategic analyses which would have attempted to examine ALFA-class developments in the context of their strategic implications. A conceptual framework is still to be developed which would place the new submarine technologies in

the forefront of the Soviet effort to overtake or offset the US submarine force lead.

The Community was almost completely surprised by the 41-plus knot speed attained by the ALFA-class submarine in March 1979, almost 10 years after the first ALFA was launched. While ALFA's deep-diving potential had long been suspected, its extraordinary high-speed maneuverability, an indication of a high degree of automation, was a further surprise. The Soviets not only "won" their 25-year high risk "race" to develop a truly advanced submarine by the 1980s--combining breakthroughs in hull metallurgy, nuclear propulsion systems, and probably advanced automation--but also managed to keep the US and the West from appreciating the magnitude and nature of their achievement until after the fact. However, once the extraordinary capabilities of the ALFA-class submarine were revealed in the March 1979 speed runs, the Community came together promptly and very quickly arrived at a general consensus on the principal technical characteristics of the boat.

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LIBYA

1. The 1969 Libyan revolution which brought Colonel Muammar - Qadhafi to power struck heavily at US political, economic, and security interests in the Mediterranean, North Africa, and the Middle East. Its repercussions still continue. We have examined Community analytical performance on Libya in the five years immediately preceding the revolution, and find that, at the best, it was very mixed. Many of the critical elements in the problem were flagged and discussed. But the conclusions drawn were in retrospect very conservative. Few alternative interpretations of the available information--and virtually no speculative insights going beyond the data--were published. By and large, it is difficult to support a judgment that from 1965 through 1969 the prospects for US interests in Libya received commensurate analytical attention.

2. Despite the stakes involved, Community activity was sparse and sporadic. A National Estimate was produced in 1965 (NIE 36.5-65: "Libya," 22 April 1965) for the first time in five years. (Its predecessor was NIE 36.5-60: "The Outlook for Libya," January 1960.) More than four years elapsed--and the Libyan Revolution occurred--before the Community undertook a revision (NIE 36.5-69: "Short Term Prospects for Libya," 30 December 1969.) In these years Libya sited our largest overseas airbase at Wheelus Field. It moved steadily to the fore as a major oil producer. (As an OER study of the period put it: "Oil exports began late in 1961 and Libya by the end of 1969 was expected to be the world's leading oil exporter and the third-ranking oil producer, after the US and the USSR"--ER IM 69-125, "The Importance of Libyan Oil," September 1969.) Libya also became a major factor in the US balance of payments, contributing some \$700 million to an overall 1968 US payments surplus of \$1.6 billion (Ibid). Its nuisance potentials in this period were dormant, and largely unrecognized.

3. Many of the key estimative judgments of the period, formed at these five year intervals, were restrictive, projected as single case theories of the Libyan future, and seldom re-examined. The 1965 NIE set a pattern of analysis with three main propositions:

- Although domestic pressures might increase, the King's authority would maintain a stable, conservative, and pro-Western regime.
- Succession probably would pass to the Crown Prince; be more troubled; might face future challenges from

"nationalist army officers;" would have to deal with "a growing sense of Libyan nationalism" and a desire to control the new oil wealth.

-- Massive inflows of oil revenue would create serious domestic problems, but "nationalization of the oil industry is unlikely under any regime."

Succeeding Agency analyses from 1965 to 1969 were consistent with these findings.

Hindsight provides a ready stage for critical soliloquies. The major judgments of the period were not necessarily faulty in the context of their own time or in the light of available information. They were, however, published without recognition that alternative possibilities might deserve policymaker consideration and without identification of evidentiary gaps or collection limitations that could affect probabilities. Thus, the analytical record contains no speculation that the royal regime might not be proof against Libya's nascent and dimly-perceived revolutionary forces, and includes no published efforts to explore the content of "Arab nationalism" or the possible range of its Libyan varieties. Similarly, there were no estimates of the strategic implications of the ouster of US-UK bases, and no published conjecture about the potential significance of a merger of military zealots, Libyan nationalism, and massive oil revenues.

4. Agency publications in the 1965-1969 period did not much improve upon Community performance in matters of speculation or conjecture on the dynamics of the Libyan problem.

a. Computer holdings disclose a total of 35 publications, including Weekly Review and Staff Notes items, in these five years (1965--3; 1966--7; 1967--0; 1968--3; 1969--22). Excluding seven map and terrain studies, about 90 percent were current intelligence items, concerned mainly with oil production and marketing questions and base retention prospects. Signals which might have encouraged greater in-depth analyses became clearer after June and July of 1967: widespread mob violence against American, British, and Israeli property; incapacitating strikes in the oil fields; military disorders; and the fall of the Hussain Mazigh government.

b. These events did not prompt a published challenge to the 1965 judgments. Nor is there a record of Agency publications prior to the Qadhafi revolution on such matters as the structure and appeals of the nationalist movement; military morale, loyalties, discipline, or effectiveness;

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labor organizations and oil worker power; Egyptian penetration and Nasser's influence in Libyan affairs, or Soviet and other Communist subversion. A stronger insistence by middle-level managers as well as by drafting analysts on the need for alternative interpretations and conjectural estimating might perhaps have stimulated a different collections effort and produced an altered publications mix.

c. As far as we can ascertain, no alert or warning notice was issued in advance of the Qadhafi coup of 31 August/1 September 1969. On the Libyan side, surprise was virtually complete. The King was out of the country; many government leaders were abroad on customary holidays during the hot season; key installations were undefended. The entire takeover took less than four hours. Colonel Qadhafi arrived on the world scene, unheralded, unknown, and unidentified. An Agency study of 9 September noted that:

"Almost nothing is known about the political and economic policies likely to be followed by the military Revolutionary Command Council (RCC) that took power in Libya on 31 August 1969." ER IM 69-125 "The Importance of Libyan Oil."

Some three months later in its new NIE the Community observed that, except for an evident desire to have foreign military installations removed as soon as possible and to identify with the militant Arab line toward Israel:

". . . we know little concerning the policies of the RCC, and there seem to be potential sources of dissension within the group." NIE 35.6-69: "Short Term Prospects for Libya," 30 December 1969.

5. An Alternative Hypothesis. One theory of these analytical events, which goes beyond any evidence we have been able to uncover, is that Libya in this period was regarded as primarily a military problem. With some 6,000 US and UK forces in the country (at a time the Libyan armed services numbered about 8,000), there may well have been a presumption that the military would tend to intelligence needs. To the extent that there is validity in the conjecture, it provides solid reason for the Agency--whatever the appearance of adequacy in coverage by others--to rely on its own.

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THE OPEC PRICE INCREASE OF DECEMBER 1973

The impact of the OPEC oil price increases of 1973 on all countries became the major international economic event of 1974, and persisted well into succeeding years. The OPEC price increase of 1979 dealt a crushing blow to the world economy. The subsequent recession, debt crises for LDCs, and rampant inflation were directly related to the OPEC action. To what extent was the action foreseen by the Intelligence Community?

During 1973 the Intelligence Community produced two estimates of the world oil situation: NIAM 3-73, of 11 May, entitled "International Petroleum Prospects", and NIE 1-1-73, of 5 December, entitled "The World Oil Crisis: Economic and Political Ramifications for Producers and Consumers". Both papers are carefully written, well-documented, and statistically supported. Analysis of political and economic factors, such as Arab restraints on exports in the autumn of 1973, possible future political action, and the reaction of consumers and non-Arab producer countries is comprehensive and adequate. What is omitted from serious consideration is OPEC itself and its potential for collective action on the price front. OPEC's political action in restraining production and exports is taken into account, but OPEC as an institution receives scant attention.

This view of OPEC as a relatively unimportant element in the world oil scene was identical with contemporary conventional wisdom in government and business. Astonishment was evident in Western circles in late December 1973 and early 1974 over the effectiveness of OPEC's collusive action in doubling prices. Naturally, prices in the non-OPEC world oil market went up along with OPEC's. Neither the OPEC potential for such action, nor its likelihood, was foreseen in the two estimates cited, nor in a steady flow of periodical CIA comments on the world oil scene during 1973.* Note was taken of the gradual rise in prices occurring as individual countries negotiated with oil companies, and the estimative work predicted a rise in prices, in large part because of rising world demand and restrictions on supply potential, but the prospect of an OPEC administered floor was not

* NOTE: CIA did not analyze non-Soviet and non-Chinese oil developments on a systematic basis until late 1972, when a group of analysts was organized and began serious work, which has been continuing since that time. Special bulletins on a weekly basis characterized its efforts during 1973-74.

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part of the picture. Explicit intelligence reports on many OPEC government actions always showed the Shah as the price hawk, and Yamani as the apparent dove.

Subsequent analytical work by the Community included three products in early 1974: (1) a CIA publication (No. 7932/74) of January 4, 1974, entitled "International Oil Developments," (2) a CIA publication identically titled, dated 18 January 1974 (CIA No. 7934/74), and (3) an "Intelligence Report: The Future of OPEC as a Cartel," dated June 1974 (ERIR 74-15). The first two assess in brief but statistically well supported terms the effect of the December 23, 1973, OPEC price increases on the world economy. They appear to avoid drawing any firm conclusions about OPEC collusive action on prices, or about OPEC's potential as a regulator of price and supply. The third is a serious but rather serene study of OPEC. Conclusions were that OPEC would face a serious decline in demand and would be unable to pro rate production. Therefore, it was not a serious problem for the world. (Apparently, one analyst in the energy group had a different view which was well sustained by later developments, but written evidence has not been apparent.)

A major international event, with enduring consequences, was thus not visible in intelligence estimates in advance, and seems to have been somewhat soft-pedaled in immediately subsequent analysis. Because the world market was tight in 1973, a price increase was logical, and rather easily absorbed by an active world economy. OPEC's real muscle was shown in 1979 when a colossal price increase began its destructive work on world economic activity.

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ETHIOPIA

1. The 1974 Ethiopian revolution was a major event for Africa, for the strategy of the Horn, and for great power positioning in the Third World. It shattered the 55-year reign of Haile Selassie; transformed the most feudal and conservative society in Africa to perhaps the most radical and militant; it moved Ethiopia from a close associate of the US to a Soviet/Cuban surrogate.

2. It was not until 1977 that the Community produced a steady focus on these outcomes. We have examined the analytic work of the period (1968-1977) to review estimative judgments as they matured. We have particularly focused on the 1973-1974 record--some 350 publications, including periodical items--to determine whether a more speculative approach going beyond "hard evidence" but based on reported information and reasonable inferences, might have been more rewarding in alerting policymakers earlier to the revolution's potentials. Our conclusions follow.

3. The Community and the national estimative process were not used during the critical early period. Agency estimative products--two in 1973 and one in 1974--partially filled the Community gap.

a. At the beginning of 1973, the Emperor ruled supreme, an absolute, if not divine, monarch. By the end of 1974, he had been deposed, a broken and discredited man under house arrest; two civilian governments had fallen; an extremist military held power; an undefined "socialism" had been proclaimed as the revolution's philosophy; and a largely unknown Major Mengistu Hailemariam had surfaced as the strong man of a radical Marxist dictatorship.

b. The last Community estimate was published five years before these events--SNIE 76.1-1-68: "The Outlook for Internal Security in Ethiopia," 11 April 1968. The next was a year after--IAM 2461-75, "Prospects for Ethiopia in the Next Year," 25 November 1975, followed by NIAM 7611-77, "The Ethiopian Revolution and Its Implications," 28 March 1977.

c. The 1968 SNIE was a very good paper which strongly influenced subsequent interpretations of Ethiopian events. It was heavily influenced by the prevailing notion that Haile Selassie could keep emerging problems in hand but that great uncertainty "which could be prolonged and violent" would

power unless the contest for the throne were to appear insoluble." An OCI typescript, "Developments in Ethiopia," 30 March 1973, defined what it called "the worst case" as Somali intervention in a succession crisis through support of Ogaden and Eritrean insurgencies.

b. The succession question remained the major focus (17 of the 24 Ethiopian reports in 1973). By early 1974 in the wake of mounting civil and military unrest, attention shifted to a perceived political struggle between "conservatives," supporting the monarchy and its institutions, and "moderates" seeking constitutional remedies for the country's increasingly serious problems. With few modifications this interpretive line held until after the deposition of the Emperor.

c. There were some clues and enough information in the current intelligence reporting of the time for a different line of speculation. But occasional insights--on military restiveness and indiscipline, on emerging "radical forces," and on urban and rural violence--were neither developed nor further explored. The interpretative line lingered on the contest between "conservatives and moderates," and the judgment that "the military moderates are still the most powerful force in Ethiopia" (NID 30 May 1974) went unchallenged until the Armed Forces Coordinating Committee -- the Derg-- publicly assumed power in September.

d. In its first analytic commentary on this outcome (and the only one published in 1974), "Ethiopia: The Unfinished Revolution"--Intelligence Memorandum 23 October--the Agency noted that the situation had not yet unfolded to the point "where the nature of the successor regime or the policies that will eventually take shape can be described with confidence." Its principal judgments were that (a) the moderates would stay reasonably united and retain control of the revolution at least in the short run, (b) radical elements might win concessions on some issues, (c) the coordinating committee would declare a republic headed by General Aman, (d) land reform would be the first major program, and (e) "Ethiopia will give stronger emphasis to nonalignment while trying to maintain good relations with Western countries, especially close economic and military ties with the US."

e. A year later, when the Community regarded the problem in an Interagency Intelligence Memorandum, "Prospects for Ethiopia in the Next Year," 25 November 1975--a study

largely devoted to tribal and international security problems in the Horn--it did not move much beyond the Agency's analysis of the preceding October. Another year and a half was needed before the Community, in its next IIM, "The Ethiopian Revolution and Its Implications," 28 March 1977, concluded that Ethiopia, which had been "the centerpiece of US policy in the Horn of Africa," had been:

"transformed from a difficult, occasionally embarrassing, but relatively reliable client of the US into a radical socialist regime struggling to keep control of the country and looking to the USSR, Eastern Europe, Cuba, and China for help."

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6. As in all revolutions, the Ethiopian analytic problem was to identify the main forces at work and their relative strengths; to estimate goals, directions, and pace; and to derive a sense of probable, and of alternative, outcomes. In retrospect, where hindsight is always close to 20/20, it is evident that analytics stayed too long with theories of the Emperor's authority; dwelt overmuch on "conservatives" and "moderates" as the main players; underestimated the radical forces and their aims; accepted too uncritically the stated desire of the revolutionaries for good relations with the US; overlooked the capacity of the Russians to alter their Somali and Ethiopian relationships. Above all, there was a failure to understand--or to allow for the possibility--that what was involved was not a coup nor a change of regime but a full-blown revolution which would, before it was spent, radicalize the armed forces, politicize an uneducated peasantry, replace the long dominance of the Christian Amharas with that of the Muslim Gallas, drastically redistribute wealth and power, and reverse the country's alliances.

7. Clearly, there were unusual analytic and estimative difficulties in the Ethiopian case:

a. Politically, the revolution moved slowly, at times imperceptibly, and often inconsistently through successive stages of apparent moderate reform and constitutional revision, expanding radical influence, and collegial military rule, to extremist dictatorship.

b. Operationally, and unlike the Libyan takeover which needed less than four hours, "the creeping coup" which deposed the Emperor took nine months from the Neghelle mutiny of January 1974. The monarchy was not abolished until eight months after the Emperor's arrest; "Socialism" was not

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proclaimed as official dogma for a year, and another year was required before the outlines of its Ethiopian variant became reasonably clear; [REDACTED]

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c. Throughout these processes, the Derg maintained extraordinary secrecy as to its membership, tactics, and goals. The military extremists who ran it were as effective in their security as they were adept in dissimulation and slicing salami slowly. And their aims had no precedent in Ethiopian history: The resolution was historical discontinuity run riot.

8. In the circumstances, it is not surprising that the analytic community took a long time to accumulate the "hard data" which the straight-line evidentiary method required to bring Ethiopian events into adequate focus. The basic criticism of estimative performance during the period is not so much its specific analytic conclusions--which by and large rested on assessments of Ethiopian history and the weight of information and evidence available at the time--but its neglect of alternative possibilities, its reluctance to speculate on lesser probabilities, and its general aversion to conjecturing beyond the known data. The system lacked a process or a model for dealing with very unlikely outcomes, and thus reinforced tendencies to ignore the apparent improbabilities, or to assume that they would not happen, or to decline to speculate about them. And, in consequence, judgments missed or trailed the pace of real events.

9. In the Ethiopian context of 1973-1974, a more speculative approach, resting less on evidence than on insight and imagination, might well have produced a more realistic view of the outcome; could have focused collection requirements and priorities more sharply on less apparent but in the end more meaningful targets; and would have alerted US policymakers much earlier to the possibility of the revolutionary changes chronicled for the first time in the 1977 IIM.

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AFGHANISTAN

An Intelligence Memorandum, "The Afghan Succession," dated 3 March 1978, a little over a month before the first pro-Soviet coup of 27 April 1978, failed to mention either the pro-Soviet Communist KHALQ party or the names of any of the new leaders who stormed into prominence so soon thereafter. A biographic Research Paper, "Leaders of the Democratic Republic of Afghanistan," published after the coup, indicated the revolution was the culmination of more than three decades of Communist activity.

From this time on, Afghanistan was the subject of a steady stream of Community publications. Some, such as the Intelligence Assessment, "The Afghan Revolution After Six Months," were noteworthy in the cogency of their exposition of recent events and the alternative options and possible future trends. A 4 April 1979 memorandum, entitled "Reply to Questions on Afghanistan," discussed the extent of foreign involvement in Afghanistan, estimated that the prospects for rebel success were dim and concluded that the possibility of Soviet intervention could not be completely discounted. This paper reflected a Community mindset which postulated that although the Soviets had the manifest capability to intervene, it would not be to their overall advantage to do so, and therefore that they would pursue alternative strategies.

Special Reports to the President in May and June of 1979 updated the situation in country, concluded the Soviets would not send in ground forces to restore order in the escalating rebellion. On the 30th of July another Special Report expressed doubt that Moscow could settle the Afghan imbroglio by diplomatic means. A memo dated 17 August 1979 prepared by OSR, "Soviet Options and Forces for Military Intervention in Afghanistan," speculated that Soviet planners were approaching the decision point wherein they must withdraw, expand the advisory program or commit Soviet combat units. The paper doubted that the Soviets would introduce combat units. A 31 August Special Report stated "We do not exclude the use of limited Soviet combat units to insure the survival of the Kabul Regime."

A 15 December 1979 memo stated that the Soviets had committed themselves to continued Marxist rule in Afghanistan. Spot Commentaries on 15 and 16 December stated the buildup of Soviet forces was accelerating. On 19 December an Alert Memorandum advised that the Soviets had introduced three airborne battalions into Afghanistan and concluded that this indicated

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that the Soviets had significantly changed the nature of their commitment. On the 25th of December 1979 a Spot Commentary stated that the Soviets had apparently completed their preparations for a major intervention in Afghanistan and that the cross-border movement had begun. On 26 December a memo analyzed the capabilities and limitations of the insurgents in light of the massive intervention of Soviet combat troops.

In hindsight, the Intelligence Community accurately estimated the advantages and disadvantages of intervention. The Community held to a premise that the disadvantages of intervention outweighed the advantages and concluded therefore that the Soviets would act rationally in accordance with our perception of Soviet self interest. As real as the penalties to the Soviets have proved to be, we failed to comprehend the imperatives of Soviet policy as they perceived them. We had a clear understanding of their capabilities, but we misjudged their intentions.

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IRAN

In the 1960s and '70s, US policy in the Middle East was closely tied to Iran and particularly to its ruler. Successive Presidents visited and entertained the Shah, US investment and exports of goods and services flowed to Iran. The US looked upon Iran as a bastion of military strength and political stability, and encouraged it to spread its influence beyond its borders. In 1978-79 the entire structure collapsed, and the US in subsequent years faced humiliation, insult, and vituperative enmity from a Moslem cleric who had replaced the Shah as ruler. To what extent was the Shah's fall predictable, and what did the US Intelligence Community have to say in advance about the Shah's prospects?

Despite a track record of continually extensive and intensive NIEs, SNIEs, from 1951 through 1975 (27 items in inventory, rate approximately one per year), there is nothing whatsoever listed for the five years following May 1975, when NIE 34-1-75 appeared. It is a comprehensive and balanced piece of work, duly coordinated in the Community, and representing the best expertise available on Iran, both within the Community and in the academic world. It is perfectly consistent with conventional wisdom of the day. It says in effect that the monarchy is strong, unlikely to allow popular participation in government, determined to push its modernization plans, expand its military power and foreign relations influence, and likely to produce strains in the US relationship arising from Iranian national assertiveness.

The NIE concedes that the chief weakness seen in Iran is that too much depends on the Shah himself and that his death could release forces of instability. In the discussion (paras. 16-20) there is treatment of the religious opposition, intellectual dissent, and terrorism, and a forecast that domestic strains will grow, although there is "little prospect during the next few years for a serious challenge to the Shah's total control . . ." (There was dissent from US Air Force Intelligence, which felt the estimate overstated the extent and significance of dissent.) Hindsight would call this a reasonable estimate in standard terms; what was missing was a worst case conjecture on the prospect of a successful opposition.

Following this estimate, there was nothing in 1976 or 1977 in the Community process, followed by one IAM in 1978. There was an abortive NIE project for 1978, but nothing was produced.

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A consensus did develop at the end of November 1978 (less than two months before the Shah left the country) to the effect that the Shah might fall or be removed by the military. This consensus is evidenced in two "alert" memoranda, dated 29 November and 5 December, addressed to the NSC by the DCI, presenting a coordinated Intelligence Community view. The occasion was the onset of the month of Moharram, beginning 2 December, said to be the time of year Shi'as get most excited. The forecast indicated doubt that the Shah could make it through the month, and asserted that if he did, his position thereafter would be very much weakened.

These two alert memoranda give what appears to be a realistic assessment, which does touch on the Shah's fruitless efforts to appease, the growing strength of the opposition and the problems which might affect the armed forces if they were required to put down the opposition with force. There is the speculation that the military leadership might stage a coup and remove the Shah. A radical opposition takeover of the government was considered less likely. The second of the memoranda has a more urgent and somewhat panic-stricken tone, and speaks forebodingly of possible danger to individual Americans in Iran. (It was apparently written because the credibility of the first memorandum was challenged in policy circles.)

On 15 June, 1979, there appeared a post-mortem of NFAC's performance on Iran in 1977-78, prepared by Messrs. Devlin and . A summary says there was an intelligence failure, a serious lack of recognition of evidence showing the Shah was in deep trouble, and a lack of warning. Much is made of the point that the thought process, or mindset, of the past had continued to dominate the estimative work. It concedes that events were in fact unusual in 1977-78. It asserts that we simply did not know much about Iran's domestic political and social forces. A review of the evidence and of the NFAC post-mortem indicates, however, that we knew a great deal about the Iran of the Shah, the court, the SAVAK, the armed forces, and the westernized elite, in large part because our contacts--nearly always English-speaking--were creatures of the Shah or products of his program. We knew a little, but not enough, about the powerful popular religious forces led by the Mullahs, about Shi'a ideology, and about Khomeini (not mentioned in NIE 34-1-75). What was clearly lacking was analysis which effectively assessed the correlation of forces, to coin a phrase.

An unclassified analysis of the intelligence performance within the US Government before November 1978 was published by the Staff of the Permanent Select Committee on Intelligence of the House of Representatives in January 1979. Findings included:

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- a. There was a warning failure, until October 1978.
- b. Intelligence failure was intertwined with failure on the part of policy people.
- c. Intelligence collection and analysis were weak.
- d. Policy people had such confidence in the Shah that intelligence was skewed.
- e. Intelligence did not challenge this confidence.

The House study is based on an extensive review of NIDs and Morning Summaries of the State Department, and obviously of a mass of other intelligence material. It also notes the abortive 1978 attempt to do an NIE on Iran.

For the purposes of this SRP effort, a quick review was made of much of the CIA material clearly comprehended in the Devlin and [] study and in the House of Representatives analysis. This review demonstrated the essential logic of the important conclusions. It is perhaps worthwhile to note a few samples of reporting and analysis which ran counter to conventional wisdom and which seem perspicacious in the brilliant glare of hindsight. They were, more often than not, typescripts which may not have had wide distribution.

1. 10 February 1978, NESA Weekly Review (RP NESAWR 78-006) article on bases of religious opposition. A well-informed analysis, it notes that the religious community is "not known to outsiders," and that Khomeini has a "considerable following."
2. 9 August 1978, typescript, Iran: A Political Assessment (RPM 78-10422) reports the Shah's intention to hold free elections, as part of his basic program, described as a calculated risk in the face of a contrary value system in the population likely to see such action as sign of weakness. Final paragraph reads: "The next year in Iran could, like 1906, 1941 and 1953, be a turning point in Iranian history. Sinbad, the Persian who let the genie out of the bottle, was never the same afterwards." (Author not indicated.) Footnote says NIE in preparation.
3. Iran's Roots of Discontent, typescript of 20 October 1978, is a perceptive analysis of opposition forces, the failure of government appeasement, possible regime collapse under pressure from conservative Islamic forces, period of turmoil followed eventually by another autocrat.

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4. The Politics of Ayatollah Ruhollah Khomeini, 20 November 1978 (RPM 78-10437), typescript NFAC IM by Bruce Riedel, is an excellent analysis which with reasonable accuracy forecasts what a Khomeini regime would be like.
5. Opposition Demonstrations in Iran: Leadership, Organization, and Tactics, 21 December 1978 (RPM 78-10500c), typescript NFAC IM by George Caldwell, is a follow-on to item 3. A good analysis, it makes no forecast.
6. A typescript by Riedel, dated February 13, 1979, re Prospects for the Islamic Republic in four pages gives quite a sound forecast for the Khomeini regime.

These few items are interspersed in a mass of reporting material which throughout 1978 reflects the Shah's indecisiveness and lack of communication with the opposition and the public, the frequent changes of cabinets, the disintegration of the military, stagnation and collapse of the oil industry and the economy, the growing strength of the bazaris and mullahs, and the rise of Khomeini as the Shah fades away. To the extent there are official forecasts, (apart from the two alert memoranda of November-December 1978) they assume the continuation of the regime. (August 1978, Iran After the Shah (RP 10289) says "Iran is not in a revolutionary or pre-revolutionary situation.")

The Shah was politically dead in January 1979, and by February Khomeini was in charge. By autumn our Embassy was seized and our people taken hostage, a traumatic experience which lasted for nearly two years and from which recovery can hardly be said to be in sight. The US government had placed its bet on a regime of extraordinary fragility, believing in good faith that it was leaning on a pillar of strength. US Intelligence did not really look beyond the facade which the US itself had done so much to create, and the result of reliance on conventional wisdom and myopic observation was a foreign policy failure of colossal and enduring significance.

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NICARAGUA - THE NATURE OF SOMOZA's OPPOSITION

Summary Evaluation. Despite its strategic, economic, and political importance to the US, there was a total absence of Community production on Nicaragua between October 1967 and September 1978. Intelligence resources allocated to the region were minimal. Beginning with the latter date, senior policymakers were well informed concerning the Marxist nature of the Sandinistas, the Cuban/Soviet connection, and the likelihood of future support for revolutionary movements in Central America. The intelligence analysis and projection were provided by Interagency Intelligence Memoranda (IIM), Special Reports to the President, and typescripts, several of which were responsive to requests from Brzezinski. Thus, they were directed to, and probably read by, the highest levels in the Government.

The Sandinistas. The origins, organization, ideologies, and objectives of the FSLN were fully described in an IIM, "The Situation in Nicaragua" (15 September 1978). Variations in doctrine and in flexibility of the three constituent groups were analyzed: one--the least doctrinaire--was willing to cooperate with non-Communists, but the others opposed such cooperation. There was no unified command, and working levels functioned independently.

In mid-June and early July of 1979, an Alert Memorandum and a Special Report to the President warned that Marxist FSLN forces, with support from anti-Somocistas who did not necessarily share Marxist ideology, were likely to prevail. If they did, they would probably try to form a coalition government and hold elections. Since this would be unlikely to lead to a stable representative government, the FSLN would then assert itself and establish a Marxist regime resembling Castro's after Batista's fall. Cuba would be recognized and the US condemned.

Cuba and USSR. The September 1978 IIM reviewed the founding of the FSLN in the early '60s with Cuban support, and pointed out that the Sandinistas had always looked to Cuba for ideology, strategic guidance, tactical training, material support, and sanctuary. Even in 1976 there were 60 Sandinistas in Cuba for training, according to the IIM. A typescript issued by the Directorate for Intelligence on 2 May 1979 stated that Cuba had decided in the fall of 1978 that prospects for revolution in Central America were much improved, and was trying to unify insurgent groups. Arms had been supplied at least twice to the FSLN. Not until a June 1979 IIM, however, were there credible reports of significant numbers (60) of Cubans in Nicaragua. A

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2 July 1979 Special Report to the President anticipated that the Marxist government which was expected to come to power would be strongly influenced by Cuba. The Soviets were seen as the indirect beneficiaries--staying in the shadows but providing Cuba any needed support.

Support for Central American Revolutionaries. The 2 July 1979 Special Report to the President predicted that the success of the insurgency would stimulate restive forces in El Salvador and have profound repercussions in Guatemala. This was followed by a typescript memorandum on 22 August 1979, requested by Brzezinski, which predicted that Nicaragua, supported by Cuba, would cautiously aid other revolutionaries, especially in El Salvador, by providing training and arms.

HCR

File on Project

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

Senior Review Panel

29 September 1983

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

SUBJECT: Status of Project to Examine the
Estimative Record on Several Major Issues

1. Pursuant to your request to the Panel to examine the quality of estimative products on issues of great importance to the US over the past 20 years or so, we have sifted a considerable body of materials and identified ten major problems--the first four of which you suggested--which we think best conform to your intent. These are

- a. The Castro significance a year or so before he took power.
- b. The prospects of further Soviet intervention in Afghanistan after the first coup in the late 1970s.
- c. The likelihood of North Vietnam intervention in South Vietnam.
- d. The likelihood of all-out Soviet support to Hanoi.
- e. The OPEC price rise in 1973.
- f. The fall of the Shah.
- g. Qadhafi and the Libyan revolution in 1969.
- h. The fall of Haile Selassie and the rise of Mengistu in 1974.
- i. The fall of Somoza and the nature of the Sandinistas.
- j. The Sino-Soviet split in 1960.

ALL PARAGRAPHS
ARE SECRET

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HCL CADR

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2. We will be looking primarily for an answer to your question about the extent to which Community and Agency production went beyond hard evidence and presented to policy-makers speculative interpretations or alternative projections which foreshadowed future events.

3. Drafting will be less a problem than source availability. Relevant documents are slowly being received, but the age of some of them has caused Document Center delays. We have also wished to consult with Bruce Palmer, who has been ill, on the Vietnam issues which he has been studying for the Agency for some time. We hope to meet with him next week.

4. On present retrieval rates, we estimate that the study will be completed in November.



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FOR
Senior Review Panel

ODCI/SRP/HCR:jsb

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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC-5640-83
4 August 1983

NOTE FOR: Senior Review Panel

FROM:

SUBJECT: Possible Nominees for Warning Case Studies

1. The following represent -- in no particular order of priority -- certain cases of various types where intelligence performed variously. Some of these might or might not be of interest to your inquiry.

- a. 1973, The oil embargo. Intelligence Performance (IP): not so hot. The SSCI published a thoughtful post-mortem on this one (1976?).
- b. 1964, China's entry into the nuclear weapons ranks. IP: pretty good. Performance was also fairly good, years later, re anticipating the Indian detonation --
- c. 1950, The Chinese attack in North Korea. IP: poor. Some junior analysts in the then DDI had it right, but no one was listening. This caused Truman and DCI Beedle Smith to establish the O/NF and the NIEs.
- d. 1978-1979, The fall of the Shah. IP: poor. The SSCI did a thorough all-source staff study of this. It was not published, but probably would be available.
- e. 1968, anticipating the Tet Offensive. IP: opinions vary. A number of PMs have probably been done, though I'm not familiar with them.
- f. Over the years, anticipating specific Soviet strategic weapons systems. IP: pretty good.
- g. Over the years, anticipating the extent and the goals of Soviet strategic weapons programs. IP: after initially overestimating, seriously underestimated for many years. A huge question, and one much massaged.

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h. Late 1950s and early 1960s, anticipating the Sino-Soviet split.
IP: not too bad, in view of the strong bureaucratic conservatism prevailing at the time in both the intelligence and policymaking communities.

i. Soviet Alpha submarines. Your prior case, one where some hard evidence was available, but still didn't suffice to alert even the producers.

j. 1958-1960, what to expect of Castro. Not bad.

k. 1980, what to expect of a Sandinista Nicaragua. I don't know the record.

l. Over the years, what to expect in Vietnam. IP: pretty good, but apparently little impact.

m. 1982, anticipating the extent and significance of certain debts: Mexico, Brazil, et al. IP: not so hot.

n. 1978-1979, anticipating what to expect re Afghanistan. IP: not so hot.

2. My horseback reading of the long record is that timely alerting was at times done well in instances where hard evidence existed; poor where more speculative situations obtained -- where would-be alerts had to run the gamut of bureaucratic conservatism.

3. A more significant question than "how well did intelligence anticipate or warn?" is of course "what impact in the end did intelligence have on policymaking and the fate of the republic?" I hope we're never asked seriously to answer such a question. I may be overly cautious, but I feel that when one grinds in such questions as (a) the receptivity of policymakers to intelligence (in terms not only of preconception and policy commitment, but of sheer time available to absorb the message), and (b) the press of countless considerations on policymaking other than intelligence, the result has been a somewhat greater ships passing in the night than the general article of faith which sustains our estimative endeavors. In the broadest terms of impact, intelligence has indeed protected the USA against possible new Pearl Harbors, and has given successive Presidents a fairly accurate general picture of the world and where it is tending. But the impact has almost certainly been much less in many of the more specific cases: in some instances the fault of the producers, in others the consumers.



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BASIC

July 1983

On 25 July 1984, the Senior Review Panel met with the DCI (Casey) for a periodic and general discussion of its work. The DCI requested the Panel to evaluate intelligence performance just prior to several major global events of the past 25 years.

On 28 July 1984, the Senior Review Panel met with Bob Gates, DDI to discuss the evaluative project requested by the DCI, and to solicit support in obtaining needed documents. Support was promised.

11 July 1983

MEMORANDUM FOR: Deputy Director for Intelligence
FROM: Director of Central Intelligence
SUBJECT: Critique of Performance on Soviet Gas Pipeline

1. Helene and her staff did a very good job on the critique of the performance on the Soviet gas pipeline. I attach notes I made on the subject. As discussed with you earlier today, I would like to have the same talents used to take a look at the intelligence judgments preceding significant historical failures like the Castro significance of a year or two before he took power in Havana, the likelihood of North Vietnam intervention in South Vietnam, the likelihood of all-out Soviet support to Hanoi, the prospects of further Soviet intervention in Afghanistan after the first coup in the late 1970s.

2. My purpose in this is to see what we can learn about the proper handling of future possibilities suggested by the suggestion but not strongly supported by any evidence. Coincidentally, the DDCI has been thinking along the same line in other areas. I was asked for a review of thoughts, ways and accuracy to see where we were off on those issues. I believe something of this was done prior to the Team B effort in 1976.

3. This came to me as a result of pondering the current state about the implications of the insurgency in Nicaragua and in presenting the briefing on where Castro is likely to go from here.

4. Once again, as part of this I would like to see the post-mortem on the fall of the Shah.



William J. Casey

Attachment

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R/W OADR