

**Remarks and Q&A by the Director of National Intelligence
Mr. Mike McConnell**

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DIRECTOR MIKE McCONNELL: Thank you very much for that very kind introduction, and welcome everyone. I'm delighted to be here, delighted to see you.

I do have a couple of administrative announcements. I don't have a badge, so if they grab me, would somebody vouch for me that (inaudible)? (Laughter).

The second thing is, Fairfax County has a new position on smoking. If you want to smoke, go to Loudon County. (Laughter). It gets a little strong on that issue around here.

I do want to welcome you. I hope you feel welcome. I hope you see and appreciate some of the progress we're making. It's not fast enough for me. I'd like to go faster. We're pushing harder. But the fact that one of our services has showed up to recruit starts to show you that we are having some impact.

I'm going to talk just for a few minutes. The main thing I want to do is take questions and talk about what you want to talk about. I thought I would frame my remarks by just giving you a little historical preview.

Most of the rules that we have for this community were established a long time ago, in World War II. If you think about it, that was a struggle for national survival. It was the free world as we know it today versus fascism. Lots of norms came out of that period. "Loose lips sink ships." "Need to know."

There's a part of history that is not very well understood. We were able in that period to break the communications codes of the opposing side. That was a very tightly held secret. Historians now are arguing over whether the fact we were reading the German codes and the Japanese codes so we knew their war plans, we knew their tactical engagement planning, if that shorted the war 18 months or two years or even more. But the point is, lots of time, thousands of lives and in today's dollars, multi-billion dollars of economic savings.

So the point is, this community provided very valuable service but it created an atmosphere that became known as "need to know". If you don't have a demonstrated need to know my information, I own it, it's mine, I'm responsible for it, and I will determine what you get or what your need to know is.

If you think about that culturally, what happens over time? Because we rolled right out of World

War II into the Cold War. Now let me tell you a little secret about World War II. (Heritage) Americans, or those not born in the United States, were largely responsible for breaking those codes. That's something we don't acknowledge very much today. We think we take great pride in the fact that we did it and we prevailed in World War II, but a significant number of the mathematicians and the scientists, physicists, all those that were engaged were not born in America, were not someone who had a long history in this country.

But we sort of rolled over that and rolled into the Cold War. The rules that emerged out of the Cold War was if you have someone who wanted to be in this community that had relatives in a foreign country, you were first generation, you were automatically disqualified. The rationale was too much risk. A person could be blackmailed, there would be risk that the person's allegiance would be to another country and not to the United States. So it isn't embedded in law, it's not embedded in regulation, but it has been our practice.

So by definition, many heritage Americans, first generation Americans, even second generation Americans, were excluded from this community. Not by regulation, not by law, but by practice.

Another thing emerged over time. To get someone cleared took a long, long time. You'll hear many many horror stories. On average it was about a year, but there are instances, lots of examples, of 18 months, two years.

So what happens when someone waiting for a clearance and it runs on into a year, into 18 months, into 20 months, quite frankly people get frustrated. They go other places. They seek alternatives.

So what happened to us is the cultural norms that evolved starting in World War II, were predominant in the Cold War, have shaped our attitude and our engagement in a way that for the most part excluded this community. So we want to change that. We're very serious about changing it.

There are a couple of ways to think about this. I have a point of view that the federal government should look like America. What does that mean? It's not appropriate and it's not legal for us to set quotas or anything of that nature, to change the demographic mix of our population in the federal government. So what I struggled with years ago and when I came back this time is how do you make a difference?

What we decided to do is let's just look at the census to see what is the demographic mix of the United States? It's pretty interesting. The second thing we said was, what's our demographic mix? It's very different from the United States. So now what are we going to do about that? Quotas are not acceptable now under law, so why don't we set some goals? Let's at least say we want to look like America and at least measure where we are and see if we can't incentivize the process to make progress. And we in fact are making progress. It's not as fast as we'd like, but we're on an upward trend.

So in thinking about it from the standpoint of the federal government or the workplace we have now a game plan that allows you to be measured, allows you to put your information up so

everybody looks at it, and I can tell you that agencies that aren't going as fast as other agencies sort of squirm a bit and put a little more emphasis on it, and it starts to tip the balance to think about the demographics and diversity in a more dramatic way. So we've made some progress.

Now let's talk about this community specifically. There are probably somewhere in the neighborhood of 100,000 people in this community. We were required by recent legislation to announce our budget. Our budget is in the neighborhood of \$44 billion. Now stop and think about that. \$44 billion, 100,000 people. \$44 billion is larger than the gross national product of some countries. This is a large, dynamic community with a global mission.

What is our mission? Our mission is to protect the country. Our mission is to protect the interests of the United States and our allies and our global interests. So if you think about, in my lifetime, fascism, the struggle for national survival, we prevailed. Communism, most of you are too young to remember Khrushchev at the United Nations banging on the podium, "We will bury you." That was a struggle for national survival. We prevailed.

Now you look at the role of this community. There are lots of stories about intelligence failure. One of the things I learned early as a young intelligence officer, there are only three outcomes to every crisis – a policy success, a diplomatic success, or an intelligence failure. You don't get much credit when you give them the right information to make the right policy decision or diplomatic decision, even operational decision. But if something goes wrong, intelligence failure. So there are episodes of intelligence failure that you hear about from time to time.

I'm a product of the Cold War. I lived for many years providing information and so on. So when you have a debate among informed people and they have a point of view that says this community is not worthy of the number of people and the investment, they'll say well, intelligence failure. Look, you failed to predict the collapse of the Soviet Union. Just think about that for a second. The Soviet Union collapsed on a day in August in 1991 and there was some discussion about it, but did we pick the day? My response to that was if you expect someone to pick the day, why aren't you rich? If you picked the day the stock went up, you would have bought it the day before, right? So getting exactly the day is a pretty significant challenge.

Let's look at it a little bit differently. Did we win the Cold War? Did the community inform the national leadership about trends in weapons, in capabilities, in intentions, in activities on a global basis? Did it allow our decisionmakers to make the right decisions with regard to policy and engagement and strategy? I would say if you look at it from that perspective, it was pretty successful.

So we have a very very important mission. It is global. And the threat we face today is very different than it was when we struggled against fascism or when we struggled against communism. Today we have a very diverse, dynamic, different threat.

So if you think about this community, it's a mission requirement for us. At one level we have to look like America because that's the right thing to do. At another level we have to have skills and cultural understanding and language and abilities that are very different from what you would find on the streets of New York or down in Miami or out in Oklahoma or in Nebraska. It's the very

people who wish us harm we have to understand. So having the service and the benefit of heritage Americans who speak the language, who understand the culture, that can allow us to understand the motivations and the intentions and the cultural aspects is absolutely essential for us to be successful.

There are people today, I can almost name most of them for you, that are sitting in a little place that we refer to in the government – we always have our acronyms – we refer to it as the FATA. It stands for the Federally Administered Tribal Area. It's an area of Pakistan along the Afghan border. It's about the size of New Jersey. It has millions of people in it. Let me just paint the picture of what it would be like in that area culturally.

It's ruled by Maliks who run tribal units. They tend to be small but they connect over a larger group. Literacy among men is about 20 percent. Literacy among women is two percent. A woman lives in a compound controlled by her father until she's about 15. Then her father chooses a husband. She goes to another compound. She will have babies until she dies. She never saw a dentist, she never saw a doctor. Al-Qaida moved into that area. They weren't threatening to the local population, they paid money for the accommodations, and they're sitting there today plotting and planning and making every effort to figure out how they can achieve the capability of mass destruction to come back to the United States, to have an additional attack or multiple attacks of much greater skill than 9/11.

So our task is to understand it, to prevent it, to interfere with it, to cause the group to think about it in a different way. But the ultimate purpose is to cause the threat to be diminished. We can't do that without language skills, cultural understanding skills and so on.

Now that mix of al-Qaida comes from a very very broad spectrum. Tajikistan, Algeria, Libya, across the Levant, Saudis, some Iraqis, all the way down to include Pakistanis and then over to Africa to include some from that continent. So it's very diverse. Many languages. And an understanding that's challenging for someone like me who looks like me, who grew up in a state here in the United States that has a cultural norm and language capabilities far far different.

So it's a mission imperative. That's the way I like to describe it when we have this debate sometimes internally. It's a mission imperative. Not only the right thing to do, it's a mission imperative for this community to have the right kinds of skills and understanding that are going to allow us to appreciate, understand, either change or prevent or prevail against someone who wishes harm against the United States or interests in our allies globally.

Clearances. I told you it took, depending on who you talk to, 12 months, or 18 months or sometimes two years to get cleared. We took a page out of the commercial side. If you're not aware of this, I'll just use an example out of financial services.

If you're in the financial services business your job is to move billions of dollars. Billions with a B. If you had the ability to slow a transaction or multiple transactions one second, not much time, one second. That's like boom. If you could do that and you're moving billions, then you would have the ability to engage in arbitrage and earn for yourself millions. So this is a pretty highly incentivized reason to have people that are trustworthy and cleared. So you can understand how

someone might be incentivized for a personal gain of millions, if you could just slow the system down for a second.

Now how long do you think it takes to clear someone that moves that kind of money, that has that kind of potential? And the people doing it are from all over the globe. Let me give you the short answer quickly because we'd probably go a big range of guesses. It takes five days. Five days.

So why can industry clear someone in five days where you could be incentivized to personally gain in the terms of millions, and they can do it in five days and it takes us 12 to 18 months?

It didn't make sense to me, so we had a discussion. You're going to hear later today from Clay Johnson from OMB, the number two in the Office of Management and Budget. We went to see Clay because he owns the process. General Jim Clapper in Defense, a long time friend and associate of mine is the senior intel person in the Department of Defense. So we sat down and said look, it's harder to get a clearance in what we do than anywhere in the rest of the government. Can we do it in five days? The answer is we cannot do it in five days, but we can do it a lot faster than 18 months.

So where we are is we ran pilots. We have a process, we have the instructions ready. We got the President's attention. So we're going to commit to try to do this in 60 days.

Now my wonderful government – industry, five days, the government 60 days. I was shooting for about 10 days, but this is the government so you've got to give us a little bit of slack for our organization and our process and our vetting and checking. But the goal now is 60 days.

So I would submit that now it starts to make it possible to have an interview and have a discussion, start a process, so someone could logically move from college or a job or whatever and it's not a huge financial burden to them.

Now let me add a different part of it. The cultural norm that grew out of the Cold War was if you're first generation or you have relatives in a foreign country, you're excluded. It's not in law, it's not in regulation. So we want to eliminate it.

We want to be able to have people who have language skills, first generation Americans, who can serve in this community. Now there is a requirement to be an American citizen. We can't waive that. That's in the law. And you have to be focused on and committed to the support of the country and its interests.

Now let me be very clear. We all have political views. I have political views. I vote. I never miss an opportunity to vote. But you'd be hard pressed to find out what my political views are because I don't put them out on my sleeve and I'm not a politician and I don't make speeches in favor of one candidate or another. I vote, I have an opinion, but my profession requires me to be apolitical. My profession tells me that I am responsible to serve a set of policymakers that have been duly elected by the citizens of the United States.

Now those policymakers can be in the Congress. Those policymakers can be in the executive branch. If you've noticed, they kind of disagree on some issues. So my job is to speak truth to power. When we get it framed in a way and it comes out that it favors the views of one side or the other, we get great accolades. When it is contrary to the political views of someone on the other side then we are chastised for attempting to subvert policy or whatever. Our goal and our requirement is truth to power, let the pieces fall where they have to fall. We can't be influenced by a political point of view. It is what is ground truth as best as we can understand it.

So that's our mission. We want to make you all welcome. More importantly in making you welcome, we want to welcome the people you represent. We want to send a message to the community. We've established scholarships. We've got language training. We've reached out to universities that tend to have a more diverse population. We want to expand our partnership across the country. Our effort is to make it as open and friendly and inviting as possible. And where there are rules or, let me state that differently. Where there are cultural norms, where we have a set of behaviors that would make us not embracing, it's our intention to change them. We've changed some and we're going to change others to make this work more.

I would close by saying we don't have a choice. If we're going to be successful, this is a mission imperative. So I would like to ask you, if you'll push on your end, I'll certainly push on my end, and hopefully we'll benefit both communities in a more productive way.

I think I've saved a little time. I'd be happy to try to entertain some questions. I see Pam, you had the question before you came in the room. And if you're going to ask me about something other than what I just talked about, then I'm not going to answer the question. Before I go to you, let me go to someone (inaudible).

QUESTION: Thank you very much. I know it takes a lot out of your schedule to be here, so we really appreciate that.

I just have a quick comment to make. This is, I was actually a federal government employee at the Department of Energy. I had a Top Secret security clearance. After 9/11 I went to work for a private contractor and it took about a year and a half to renew and authorize the clearance. So I ended up leaving my job.

My personal opinion is that the threat that we are facing collectively is a work in progress for both new challenges (inaudible) that are represented by (inaudible) threat for the government as well as for people in our position. (Inaudible) new thing.

Just to comment on what you said about the (inaudible). Today only nine percent of Pakistanis support the war on terror. If you ask yourself why, it's not because they're extremist individuals. They voted for a secular government November 18th. It's really different for the US-Pakistani alliance to (inaudible).

So my personal opinion is that rebranding and reselling the war on terror to not just a political (inaudible), political leadership, but also to the people that reside in our country is really important. That's where I think there has to be multi-pronged policy goals that combine security

and intelligence as well as friendship.

Pakistanis today are less safe, less secure and less economically secure than they were before. Today the average Pakistani has a very hard time (inaudible). Extremism is a problem, but inflation and economics are the first problem, the first things on their minds. And when you look around their marketplaces, which are now being threatened by extremists planting bombs and everything, tangible structures of U.S. friendship – a clinic, a school, (inaudible) – is hard-pressed to find.

DIRECTOR McCONNELL: Let me make several responses. First of all, reciprocity is one of the things we're focusing on clearances. So this observer's view of the fact that you leave a cleared position to go to another one, another position that requires a clearance and it takes a year, is totally unacceptable. So reciprocity is something where we're really focused on.

A second point I would make is you are making the case for me why we need someone like you on the inside making the case to our policymakers about the approach. Because I worry about this a great deal. I see a situation where Pakistan is internally threatened with destabilization and the Pakistani people have a different point of view. Why is that? Why don't they appreciate it? So how do we make that argument to be more easily understood and engaged?

You hit the nail exactly on the head. Pakistan's economic situation has been good for some period of time. Inflation was reasonable, growth was in the seven to eight percent range, and that now has completely reversed. So we've got a situation that requires some very serious engagement with regard to Pakistan.

QUESTION: Sir, I'm wondering if you could give us a baseline as to where you're starting with these different communities. Out of your 100,000, what percentages are coming from which communities and how do you break them down? What are your goals?

DIRECTOR McCONNELL: I could, but I won't. I'd probably get it wrong. I've got the graphs and charts in my heart but if I ever give you a number that becomes my number and I've got to defend it, so if it's later wrong then I lied to you, and if later I missed it then I was misinformed. So there are people here that can probably give you a much better answer than I. Use your question through today, if you would. What I will tell you is if you look broadly across the community it's out of balance with regard to the percentages of America, the percentages in the federal workforce, and the percentages in the civilian workforce. So we would be under-represented from a diversity point of view. We are making incremental gains in that to try to get us to those norms that are reflected across the country.

I'll also say we're probably going to have to tip it out of balance with regard to heritage Americans because of our needs for language and cultural understanding and skills that would not grow up in Omaha or Iowa.

QUESTION: Thank you, Director McConnell. We greatly appreciate this very positive and proactive outreach (inaudible).

There are policies and steps that were taken after 9/11 on the part of our government that unfortunately tended to drive the impression that the government is not as interested in fully investing in 100 percent partnership. Perhaps 80 percent, 70 percent. We have programs focusing on immigration enforcement, the watch list problems, while positive-related issues, they have nothing to do with the intelligence community. But unfortunately, just like every American, our communities have the impression that the government is all uniform and therefore a policy that's driven by the Department of Homeland Security or the Justice Department or the Treasury Department, the individual might end up blaming the intelligence community for that.

What can be done? Some policies have been tweaked or suspended. Others continue. What can you do to assist us in explaining to our communities that that is not the case, that the door is completely open to our communities, and that the impression that these policies have driven with profiling or what have you, or targeting, is in fact a false impression. Because today, unfortunately, the impression is that you are being targeted and that you are viewed as suspect.

DIRECTOR McCONNELL: The first part of your question is what can we do as a community, is better understanding and better information. There were some steps taken pretty dramatically right after 9/11. I happened to have an opportunity, since we brief the President every day and have follow-on discussion at the National Security Council level or supporting the information for the dialogue of the debate, there is a very serious discussion and dialogue about addressing the issues that you're flagging. So the better information we have, then those issues and policies can be mitigated.

I've been back in government for 14, 15 months. I've seen change in just that short period of time. So the main thing is understanding the information. It is being changed. I think it has a way to go. That's my personal view. But the great thing about this country is that we generally solve disputes at the ballot box. So you see things change as a result of concerned citizens who have opinions who let those opinions be known. So I think we'll get to the right place. It's just going to take some time.

QUESTION: Thank you, Mr. Director. My question is on every issue that we deal with there is perception and reality. As you may know the global community, mainly from the Middle East, the perception of U.S. intel community is not as good. We know the reality is different. Is there any way that this reality can be brought up to surface so people get to know what the intel community is doing and especially that I'm aware of there are more than 90 different specialties among the intel community that can provide all kind of services. This is something that we owe to the people who need to learn more about what we're doing for them.

The other issue is the global challenges and changes taking place (inaudible). You mentioned some of it. There is more than that. There is the most of the challenges nowadays is the migration or immigration and its affect on the stability, on the globalization. Sometimes will benefit that, no doubt about that. But we need to address it better in order to have the benefit of those people who come to this country. Mainly the high skilled people whom we can tap into and have a good (inaudible) from them.

Thank you.

DIRECTOR McCONNELL: Thanks for the question. We have a bit of an uphill struggle because of the almost 200 nations in the world. The vast majority of intelligence services that have more of an internal mission than an external mission. It is a situation for many of those citizens where the model that they know is a negative model. So this is an uphill struggle.

I go back to what I said earlier. Part of our objective here is to bring those who understand and speak the language and can help us make the case with regard to the positive aspects.

Let me just say a word about immigration. We did some reviews recently. We do long-range forecasts, we do it every four years. We're doing it now. The purpose is to publish in the late fall to inform the new administration, whoever that might be. So it's just a look at technology, globalization, and the set of issues.

One of the ones they looked at were economic. So the forecast if you look out 20 years, 25 years, the four largest economies on the globe, China will be first. Who do you think will be number two? We're debating that. Some say the United States, some say India. But the point is, it's up for debate. Fourth will be Japan.

Now if you look at a single organization known as the EU, if you thought about it, is the United States of Europe. If you did it has the largest economy in the world today – larger than the United States. All of EU is, if I remember, about a trillion larger than the United States. So that's an interesting way to think about the future.

The next thing we did is look at demographics. Some of these societies are headed for a cliff. A cliff means this way. So demographically, of the ones that I mentioned, who are the ones that are headed for a cliff? First, the United States of Europe. It's an aging population and it's not been replaced and they're struggling with something called immigration. That's something that's going to be difficult for them.

I didn't mention Russia because it's not in that league for economies, but they have a demographic issue, very severe demographic issue. That's the one country out of the ones I mentioned that the life expectancy is going backwards, not forwards. Japan, demographic issue, severe. China, you all know the one child policy for a number of years. That's going to hit and it's going to hit much sooner than 20 years out.

The two I haven't mentioned are India and the United States. India does not have a demographic issue because of the age of the population and the birth rate so they're in good shape going forward. The United States. We're in pretty good shape. It's not the birth rate, it's immigration.

So the point you make is an excellent point. This is a wonderful place, people want to come here. And economically we're advantaged by the fact that they do come and they're productive citizens and they contribute to society and they're successful and it keeps us on an economic playing field that we'd like to maintain.

I'll only be able to take one more question, then I've got to scoot because I've got a follow-on

requirement.

QUESTION: I'd like to thank you also for this morning. There is (inaudible) concern about the language sometimes used to describing terrorism. I (inaudible) last year about it.

DIRECTOR McCONNELL: We changed what we say.

QUESTION: I appreciate it. I just want to tell you that we really appreciated that, seeing it in the news that you have directed people not to use the word jihadist and so forth.

Also I would like to see if we can highlight the accomplishment of Muslims and Arabs and people who work in the intelligence community. Because more visibility of people who work in different agencies give (inaudible) a kind of comfort that they're included.

I would like to say that one of the successful programs is the (inaudible) meetings, have created a really positive impression on the community. I'd like to see this kind of dialogue continue, the community openness. People like to sometimes (inaudible) about what happened to them. (Inaudible) hours. The more we engage people, the more we talk to people I think will create a sense of comfort.

Last I'd like to say that the (inaudible) issue that you mentioned is (inaudible). We have enough (inaudible) to people in different agencies about (inaudible) Muslims so that people become more sensitive to understand where people come from. I'm quite sure people in the region of Pakistan have been to a lot of training, understanding the community and appreciating what the culture (inaudible).

DIRECTOR McCONNELL: Thank you for your comments and last year your recommendation. You're correct, we try not to refer to jihadists any more as something that's bad because in your religion jihadist means pure and your pursuit of being better. So now we refer to radicals or try to describe the terrorists in a little different way.

With regard to sensitivity training, the lady sitting to your right is going to talk about that I think. There's been an extensive effort to do exactly what you just outlined. Director Mueller, Bob Mueller, the Director of the FBI, is going to be with you later today and I am proud to say, if I was in college this would be called plagiarism, but in government it's called best practices. (Laughter). So we're basing our program after the FBI program.

I think, Ron [Sanders], you've got four scheduled conferences for outreach this year, am I getting it about right? And we will do more because we're finding that's exactly how to address problems and change perceptions, if you sit down and talk and it makes you – just as you sensitized me to the word jihad, that's a good thing to understand it and make us a little more sensitive to the cultural issues.

Thank you all very much. You have a very full day. I wish you the very best. Please stay with us, engage with us and work with us to try to make us understand how to make this an effective and friendly community, to get more of those you represent in our ranks and working with us. Thank

you very much.

(Applause).