



**Interview of Mr. Mike McConnell
Director of National Intelligence**

The Charlie Rose Show – PBS

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MR. CHARLIE ROSE: Welcome to the broadcast. Tonight, the person who coordinates all American intelligence and the man who briefs the President of the United States everyday. Mike McConnell, the Director of National Intelligence.

DIRECTOR MIKE McCONNELL: I'm concerned about and I worry about is through cyber means, the right kind of sophistication, undeterred by the result, meaning if your intent is to destroy data you could impact global finance, you could impact electric power, you could impact transportation, there are all kinds of things that you could cause strategic damage to a nation. And we're the most vulnerable because we're the most dependent upon it.

CHARLIE ROSE: Mike McConnell for the hour, next.

CHARLIE ROSE: Mike McConnell is here. He is the Director of National Intelligence. The Office of the Director of National Intelligence oversees and coordinates the 16 agencies that make up the United States Intelligence Community. Six mornings a week he personally delivers the President's Daily Brief, telling the President what is going on around the world.

Director McConnell served in the U.S. Navy for 29 years, 26 of them as a career intelligence officer. During the Clinton administration he served as Director of the National Security Agency.

The Office of DNI was created in 2004 when Congress passed the Intelligence Reform and Terrorism Prevention Act after serious concerns about the CIA and events leading up to 9/11 and the erroneous intelligence about Iraq.

Here is what the President told Charles Gibson about his understanding of intelligence leading up to Iraq.

PRESIDENT GEORGE W. BUSH: The biggest regret of all the presidency has to have been the intelligence failure in Iraq. A lot of people put their reputations on the line and said the weapons of mass destruction is a reason to remove Saddam Hussein. It wasn't just people in my

administration. And, you know, that's not a do-over, but I wish the intelligence had been different, I guess.

CHARLIE ROSE: President-elect Obama is expected to announce that he will choose retired Admiral Dennis Blair to be the new DNI and former Congressman and White House Chief of Staff Leon Panetta as the new CIA Director.

This evening we want to look ahead with Director McConnell to the challenges of the future, talk about CIA intelligence reforms, misperceptions of intelligence, and what he has learned from mistakes of the past. I am pleased to have him here at this table for the first time. Welcome.

DIRECTOR McCONNELL: Thank you, sir.

CHARLIE ROSE: It's a pleasure to have you here.

DIRECTOR McCONNELL: Delighted to be here.

CHARLIE ROSE: You will be at your desk until the new President walks into the White House, I assume.

DIRECTOR McCONNELL: Yes, sir. I will.

CHARLIE ROSE: And when does the transfer take place from you to the new DNI?

DIRECTOR McCONNELL: Twelve noon on the 20th of January. There's a possibility if confirmation is not complete by that time, it could go for another day or two, but by the end of this month I'll be in the private sector.

CHARLIE ROSE: You said interestingly that this is a 24x7 job.

DIRECTOR McCONNELL: Yes, it is.

CHARLIE ROSE: You work from 4:00 o'clock in the morning until about 11:30 at night. And the thing that it demands the most is stamina.

DIRECTOR McCONNELL: True. Very true.

CHARLIE ROSE: Tell me how you see the world. What factors are converging on us that will influence not only this country but every country?

DIRECTOR McCONNELL: I think first of all, Charlie, it is a shrinking globe, a globe that is being made smaller by technology. Just think about it for a second.

We can move information halfway around the world or completely around the world in less than a second. We can move a person halfway around the globe in 12 hours. So it's the fact that we

have to recognize that it's an interconnected, globalized world and problems in one area can very quickly be problems in another area.

As we forecast for the future, the relative position of the United States, the United States is the most powerful nation on earth. It's a \$14 trillion economy and the next player is a distant second. As we go forward, relatively speaking, particularly with the shift of wealth from West to East -- the first time in our lifetime or in the last century we're going to see a shift in that power to India and to China.

CHARLIE ROSE: And you in fact said that by 2025 China's economy will be probably the second largest economy in the world?

DIRECTOR McCONNELL: Probably second largest, and a little bit after that it will be the largest economy in the world. They will surpass the United States.

CHARLIE ROSE: Other factors that you look at in terms of this shift of wealth, the most dramatic shift of wealth has taken place not only to Asia, but to the Middle East.

DIRECTOR McCONNELL: That's true.

CHARLIE ROSE: What's the impact of that?

DIRECTOR McCONNELL: It has significant impact. One of the things we worry about are sovereign wealth funds and how they will be used and how they're invested. Some of them are very transparent. You go to the northern tier of Europe, very transparent. If you go to the Middle East, there's no transparency at all. Will they be used for political purposes?

We will have, I would forecast, a conflict between nation states over energy resources. Let me just use China as an example. China today produces about 75 percent of their power from coal. The problem with coal is it poisons the atmosphere, poisons the soil. They produce about ten percent of their energy resources from oil. They're going to import about ten percent. But the growth of imports in China outstrip all other nations. China is going to have to have more resources in terms of petroleum products from outside China. That's going to cause stress and competition for those resources.

CHARLIE ROSE: They're going to be out trying to sew up all the energy resources they can possibly find and possibly contract for.

DIRECTOR McCONNELL: I would, if I were speaking to my Chinese counterparts, my interlocutors, I would say that a little bit differently. I would say it's in China's interest and it's in the United States' interest to have a stable environment where energy resources are managed in the most productive way. So we will eventually have to go to alternative sources of energy. That probably will take a long period of time, so we should manage the process with stability and prosperity across the various players. It could be done that way. But notice, most regions where there is oil, there is some level of conflict or authoritarian rule or some set of issues. And quite frankly, that often fuels many of the problems we have today. I would use Iran as an example.

CHARLIE ROSE: I'll come back to Iran, for sure.

There is also the issue of demographics as population changes. There is the issue of food prices. And there is the issue of scarcity of water.

DIRECTOR McCONNELL: Indeed.

CHARLIE ROSE: How does that impact and what will that do to the changing relationship between countries?

DIRECTOR McCONNELL: Let me start with demographics. Sort of the major centers.

China is in for, in a relatively short period of time, a major impact from demographic trends. They've had a one child policy for a long time and it's about to hit and hit in a big way, so just think of it as a cliff.

Japan's in the same situation.

CHARLIE ROSE: Mostly an older population.

DIRECTOR McCONNELL: An older population. Think of it this way. If you have a healthy balanced society you have older people at the top, a broader base of working people, and the younger working people are supporting those at the top. We're going to see this start to tilt a bit with regard to China, potentially Japan, and Europe.

CHARLIE ROSE: And Russia.

DIRECTOR McCONNELL: I was going to add, especially Russia. Russia, of the industrialized nations, Russia is one of the few where life expectancy is declining as opposed to getting longer.

Now the two major regions of the world in terms of economic impact where the demographic trends are not in a negative way are the United States and India. India because of the birth rate; and the United States because of immigration.

CHARLIE ROSE: How about the Middle East?

DIRECTOR McCONNELL: There is a youth bulge, so it's not as much of a demographic problem. In my view the problem in the Middle East is distribution of wealth so that those at the bottom of the social structure have opportunity for advancement, education, being a productive member of society. My belief is that's where those who wish us harm in the context of radicalism or terrorism and so on, that's mainly where they recruit from. That's not to say that all the terrorists are illiterate or unfortunate. That's not the case. Many of the leadership came from the elitist ranks.

CHARLIE ROSE: Do you believe that between now and 2025 which has been the kind of measurement time for you in some of the studies that I've seen, that there is a rising possibility of conflict?

DIRECTOR McCONNELL: I do. There is a rising possibility of conflict between nations over energy resources. You mentioned water. Particularly water. There are going to be nations in the world that do not have enough water that's potable for drinking and cooking, and also not enough water for irrigation to grow sufficient crops.

CHARLIE ROSE: On a particular continent, or where?

DIRECTOR McCONNELL: The most impact will be the northern tier of Africa in the near term, and also in the Middle East. That's where it will hit first.

CHARLIE ROSE: We have the worry of Iran and nuclear weapons which I want to talk about. But you have also argued or suggested that the risk of nuclear weapons being used, using your words, is grayer in the future than it is today.

DIRECTOR McCONNELL: That's true. We normally talk about it when we have a forecast or a dialogue with the Congress or a set of members in the executive branch in terms of weapons of mass destruction. I would put four items in that area.

First is biological, then chemical, then nuclear, and what surprises many people, then cyber weapons, the ability to degrade infrastructure. Of those four, the most likely is biological; the least likely is nuclear. But it is going to increase in likelihood from now until 2025. It's a very small percentage, but --

CHARLIE ROSE: The percentage of likelihood? The percentage of --

DIRECTOR McCONNELL: A small likelihood that it will happen, but it is an increasing percentage.

CHARLIE ROSE: How do you measure that?

DIRECTOR McCONNELL: Probably the best way to say it is informed judgment. We have analysts who study these things and trends, and we have engaged. When we produced this estimate that we do every four years we try to publish it at the end of November or December before the President is sworn in for the new term, and the attempt is to try to serve the executive branch and the Congress in a way that says here's our best guess at the unclassified level on what to expect over the next 20 years. We just published that in November. It's on the web site. Anyone can download it.

Interestingly, as sidebar, when we publish it there's no protection for it so it becomes a best seller in foreign countries as soon as they can translate it. (Laughter).

CHARLIE ROSE: And you know at least governments are buying it for sure.

DIRECTOR McCONNELL: Indeed.

CHARLIE ROSE: Everybody who talks to the person who briefs the President every day about intelligence has this one question, everybody. What keeps you up at night? What is the big worry for you? Because you see all the bad news.

DIRECTOR McCONNELL: There are a number of things. Let me just put it in the context of terrorism, radicalism, someone who is willing to die for a cause being empowered with some kind of a weapon or capability that could have devastating impact. Now that could be biological, it could be nuclear, it could be cyber. But we are vulnerable as a society to all those kinds of threats.

CHARLIE ROSE: Elaborate on cyber.

DIRECTOR McCONNELL: Most people think about today information technology, the internet, computers, wireless devices, as wonderful inventions, global communications, instant communications, efficiency, just-in-time production, and all that's true. It's made our lives much richer and better. It's increased productivity and it's had a very tremendous positive impact.

The more sinister side of it is everything's connected. If everything is connected it is potentially vulnerable.

Think about it this way. If you ask most people how does the globe communicate, they would say, they would pull out a cell phone and they'd say a wireless device. Ninety percent of the world's communications is carried on fiber optic cable, either underground or under the sea. You should think of wireless devices as on and off ramps.

So once you're in this cyber infrastructure it's all connected computer to computer. What happens is, and I'll just use the financial services industry as an example. We don't have a gold standard and we don't have printed money in the bank. It's all based on confidence of accounting entries.

CHARLIE ROSE: Which are made electronically.

DIRECTOR McCONNELL: Which are not only made and moved electronically, but are maintained electronically.

Now the banking industry learned a valuable lesson as a result of 9/11 and there are backup systems and they have alternate control centers and so on. But there is still a level of vulnerability. To a sophisticated attacker, if that attacker could be successful in scrambling the data for one large bank you would have an instant catastrophe because you lose confidence in the system. And one bank's not confident it can reconcile with another, then things start to grind to a halt.

Actually in this financial crisis that we're going through, if you'll look back over the history of it, you'll notice how the decisionmakers in the financial world scrambled to save Bear Stearns, I think it was last March. You didn't want that to collapse because it creates a cascading effect.

So what I'm concerned about and I worry about is through cyber means, the right kind of sophistication, undeterred by the result, meaning if your intent is to destroy data you could impact global finance, you could impact electric power, you could impact transportation, there are all kinds of things that you could cause strategic damage to a nation. And we're the most vulnerable because we're the most dependent upon it.

CHARLIE ROSE: Does it suggest that people have tried to do this?

DIRECTOR McCONNELL: Let me separate it between exploitation of data for information advantage. That happens every day. There are terabytes of data taken out of the United States, whether it's competitive information or banking information or academic information or defense information. Everything's attacked. Terabytes are taken. There are over 100 nations in the world that are sophisticated that have this capability. Think of it as you're stealing data for some purpose. Usually competitive advantage.

That's different from someone who is motivated to destroy data. What I worry about is most of those stealing it have a vested interest in stability. So there is some level of deterrence that if you have the ability to penetrate and take, it's not in your interest to destroy. But if you are someone like a radical terrorist and you had the ability to do this, you want damage. That's the part I worry about. When the level of sophistication reaches a point that there could be strategic damage to the United States, and that time is not too far off.

Now as a government we're not organized and focused to be able to address that threat in the most comprehensive way.

CHARLIE ROSE: But you at the same time have technology advantages in this country.

DIRECTOR McCONNELL: Huge.

CHARLIE ROSE: Because one of the strengths of this country and our economy has been the technology lead.

DIRECTOR McCONNELL: That's right.

CHARLIE ROSE: And some people worry that that lead may not be as wide as it has been A, because of education and people going back to a whole range of countries; and immigration policies; and other things.

DIRECTOR McCONNELL: Yes. And particularly the fact you can reach into our information infrastructure and take information out.

CHARLIE ROSE: And steal the technology that we'd have.

DIRECTOR McCONNELL: Exactly. We have a significant technology advantage today. It's in the interest of the United States, both our self interest and in our values for democracy and human rights and so on, to protect that advantage in the interests of the rest of the world.

Now there are some who disagree with us philosophically with regard to our values, even democracies. They're the ones that would like to destroy that infrastructure.

CHARLIE ROSE: Talk about specific big worries that you have. Iran and the nuclear capability. It is their capacity to enrich uranium and have a missile that could deliver a nuclear weapon.

DIRECTOR McCONNELL: They do have a missile. They are enriching. There was a lot of focus about a year ago, November/December of 2008* about a National Intelligence Estimate that we wrote on this subject. A big lesson learned for me in writing that estimate is we wrote it for a sophisticated audience. We did not tell the whole story in our key judgments. We just talked about the changes. And then we found ourselves in a position where we had to make that unclassified.

The lesson learned for us is in the future, even when we intend to keep it classified, we will write our key judgments as the whole story. Here was the problem with that estimate. What we said in that estimate is the Iranians did two things. They terminated a covert military sponsored enrichment program and they stopped work on the design of a nuclear warhead. Think of it as an implosion device. Those were the two facts.

One would surmise that they're doing something illegal, something they've agreed not to do consistent with the treaties they had signed, and the United States and the coalition are going into Iraq so they made a decision to terminate this implosion design work. They did not stop work on missiles that can deliver nuclear warheads, and they did not stop enrichment of uranium.

Here's a way to think about it. You can get to fissile material two paths. You can have a plutonium reactor the way the North Koreans have chosen to go down that path, or you can just spin a centrifuge to enrich the uranium.

Low enriched uranium is only enriched to about three or four percent, but that's 70 percent of the work. To go to fissile material that would be suitable for a nuclear weapon you have to be about 90 percent of enrichment, but that's only 30 percent of the work.

So our worry is while they claim it's peaceful and they have this place Natanz where they're spinning centrifuges and --

CHARLIE ROSE: How many centrifuges do they have now? Three thousand?

DIRECTOR McCONNELL: Probably close to six thousand. The reason we know this is the IAEA, the inspection organization, has physical access, so they actually do an inventory once a year. They monitor records and they get reports from the Iranians for most of the year, but they get physical access once a year. They just had that access in November. What they found was

the continuation of fissile material enrichment and increasing success with the centrifuge technology.

CHARLIE ROSE: Is there a consensus among intelligence organizations around the world A, about where, about Iran's intentions and where they are?

DIRECTOR McCONNELL: There is a consensus within a range about Iran. That includes the allies that we have relationships with and partnerships with that you just mentioned. There is a range.

Interestingly, I went back to review what we in the United States Intelligence Community have said about Iran going back all the way to 2001. So we've done three National Intelligence Estimates since 2001. Ironically, they all say exactly the same thing. What they said was the Iranians are enriching uranium for fissile material; they have the ability at earliest to have enough fissile material for a nuclear device by 2009, the end of 2009. Unlikely, but they could. The range of time that we specified that they will have enough fissile material for a nuclear device is 2010 to 2015.

Now if you ask me to pin that date down best guess -- now I'm guessing because we don't have the evidence -- I would say 2013.

CHARLIE ROSE: I would assume the President has asked you that very question.

DIRECTOR McCONNELL: He has asked me that very question. And what I'm very careful on how I give my answers to the President. Mr. President, I will offer you my opinion, but I always separate my opinion from what I could prove with facts. That's where we got into trouble with the National Intelligence Estimate on Weapons of Mass Destruction in Iraq.

We knew for a fact that Saddam Hussein had Weapons of Mass Destruction. He used them on his own people. He killed with gas, nerve gas, over 100,000 people. We had the Gulf War, Desert Shield/Desert Storm. We destroyed a lot of that material. So we had a predisposition mindset. He had them, he must still, and we convinced ourselves that he still had them. We were wrong.

Later, remember, we captured him. We interrogated him. And we asked him. Why did you cause your own people to believe you had nuclear weapons or weapons of mass destruction? He said you don't understand. I have Iran on my border. I had to convince the Iranians that I had that capability. The way to do that is to make my own generals believe. They believed. So what is it we collect? What is it we do in the intelligence business? We get access to people who know something, or we listen to their communications, or we take photographs. So we had the predisposition of knowing what was in the past. We were listening to generals and colonels talk about things, or watching behavior, and Saddam was playing a game. He was trying to convince those around that he had them. He in fact had gone away from them.

CHARLIE ROSE: So the lesson of Iraq is what? In terms of intelligence, which the President of the United States said it's one of the most disappointing things of his administration.

DIRECTOR McCONNELL: One of the reasons that the Congress in its wisdom, and the President agreed to sign a bill creating the Office of the Director of National Intelligence was to integrate and elevate a collaborative community that is disciplined with the appropriate rigor and the appropriate tradecraft so we would never make that mistake again. And to the credit of those who have come before me, and I've had the opportunity and the pleasure of serving with them now. What comes out of our analytical process today is very different from what it was --

CHARLIE ROSE: Are you saying that if in fact the processes and the people in place today would have known that Saddam had no Weapons of Mass destruction?

DIRECTOR McCONNELL: I think we would have known it, and just as importantly, we would have had the courage to say it.

We are --

CHARLIE ROSE: Say it publicly or to the President?

DIRECTOR McCONNELL: To the President. Now our work, by the nature of the work, has to be done in secrecy because we're always balancing sources and methods and we're searching for ground truth, but I am often not welcome into the circles into which I go. I'm the bad news guy. And if you have a point of view or you're trying to get a policy accepted or you're trying to rationalize a decision, I'm the guy that keeps showing up saying this is what the evidence says.

So it's often that the conversation is a little, I won't say heated, but at a minimum it's a little unpleasant because I'm the ground truth guy. That's what we're asked to do and that's our responsibility.

CHARLIE ROSE: I just want to make sure I understand with respect to Iran and nuclear weapons. Or Weapons of Mass Destruction.

Do you believe they want to build a weapon or they want to have the capability to build a weapon?

DIRECTOR McCONNELL: Charlie, I believe Iran wants to build a nuclear weapon. That's what I believe. I cannot prove that. I know they have the missiles. I know they are spinning centrifuges for fissile material.

CHARLIE ROSE: And they continue to enrich.

DIRECTOR McCONNELL: That's the enrichment process, they are enriching. And they had a program for weapons design and covert enrichment previously. So with the facts that I have I can say it would lead one to conclude that, but as a lesson learned from 2003 I have to have positive proof that they're in fact doing that. We've disciplined ourselves in a way that we always find the evidence, and almost like a court case. We separate the evidence from our

assessment. We always want the decisionmaker, the policymaker, to understand what is the weight of the evidence.

I've actually had conversations at the most senior levels about Mike, don't you believe Iran is in pursuit of nuclear weapons? My answer is well, while I may believe that personally, it would be irresponsible of me to claim that in a document from this community. And uniformly at the highest level the answer is Mike, you're doing the right thing.

CHARLIE ROSE: Tell me what you worry about with what you know. First Pakistan and then Afghanistan, which are as everybody knows, totally connected.

DIRECTOR McCONNELL: My biggest worry is the fact that Pakistan as a nation is teetering on bankruptcy. They have nuclear weapons. A group that was trained and departed from Pakistan, carried out a horrendous terrorism act in India. There is significant tension between those two countries now about how they're going to resolve that.

Military forces have been put in an increased state of readiness. There are militants in Pakistan whose purpose is to overthrow the government of Pakistan. Osama bin Laden issued a fatwah in the fall of 2007 to say that the mission was to destroy the government of Pakistan.

Pakistan has nuclear weapons. Would you want militants who are sworn to kill Americans in possession of nuclear weapons? That's what I worry about.

CHARLIE ROSE: Where on your list of worries is that because of the nuclear weapon possibility?

DIRECTOR McCONNELL: Near the top.

If I were to categorize worries overall, it's when you have smart, adaptive, dedicated, willing to die for a cause leadership whose purpose is mass casualties in the United States, that's the worry.

How would they carry out that act? It quickly takes one to Weapons of Mass Destruction, how might they obtain them? That's what we constantly try to monitor and focus on and be aware of. Would it be biological? Might it be a chemical? Might it be nuclear? Could it morph into something like cyber?

The tension between Pakistan and Afghanistan, there are militants on that border supported in Pakistan that cross into Afghanistan to attack and kill U.S. and coalition forces. That's a very unstable situation.

CHARLIE ROSE: Does Afghanistan have the possibility of being a failed state which is always a breeding ground for terrorism?

DIRECTOR McCONNELL: If you think about Afghanistan in the context of wealth and subsistence of its people and so on, out of the 180-plus and 190 nations in the world, they're in the bottom five. So it is basic subsistence living. It's tribal. It's never been governed from the

outside for any length of time. So making a viable, productive society that has security, appropriate governance by rule of law, and economic opportunity is a huge challenge. And unlike Iraq where once you got a level of stability and governance was reasonable, just the oil they're pumping out of the ground creates tremendous wealth and opportunity.

So in my view, Iraq's going to make it.

CHARLIE ROSE: What should we know about the conflict between Israel and Hamas on the ground in Gaza?

DIRECTOR McCONNELL: I have had fairly active dialogue with my counterparts. We've discussed intentions and activities. The Israelis at the moment are attempting to stop the attacks from the Gaza Strip with rockets into Israel, inflict damage on those who are doing that, and making every effort to limit civilian casualties.

Now how long they intend to do that, I don't know the answer. I know the United States, I know other nations are attempting to achieve a ceasefire.

CHARLIE ROSE: Egypt and France, especially Egypt.

DIRECTOR McCONNELL: Egypt and France. And the United States is very active in that dialogue.

CHARLIE ROSE: At the UN, not far from here right now as we talk.

DIRECTOR McCONNELL: Exactly. To get them to a point to have a ceasefire and stop the destruction.

I would think the Israelis are going to make an attempt to inflict damage on the infrastructure and the leadership of Hamas, and they are going to insist that the rocket attacks into Israel stop.

CHARLIE ROSE: And close down the tunnels that are bringing people in from Egypt.

DIRECTOR McCONNELL: That's correct. And Hamas is going to make an argument that we must have an open border for the free flow of humanitarian goods.

CHARLIE ROSE: Do they have a case?

DIRECTOR McCONNELL: For Hamas?

CHARLIE ROSE: Yeah. They need a border for free flow. Can they make a humanitarian argument even though their ambition may be different?

DIRECTOR McCONNELL: They can make a humanitarian argument, but let me just highlight two things. Hamas is holding the Palestinians in the Gaza Strip hostage; and their stated political objective is the destruction of Israel.

So if you're an Israeli this makes it a very difficult negotiation when someone is sitting across the table saying my purpose is to destroy you. And oh by the way, open the border so I can get arms or weapons or --

CHARLIE ROSE: What lesson do you think the Israelis learned from the Hezbollah experience in Lebanon?

DIRECTOR McCONNELL: The way they engaged, the force with which they engaged, they're not going to repeat what happened in the summer of 2006.

CHARLIE ROSE: In other words they're going to go in with more firepower than they ever have and they're going to have a defined and limited objective.

DIRECTOR McCONNELL: And accomplish that objective. And do it in an overwhelming way.

CHARLIE ROSE: You have made this point, I'm shifting now to the intelligence organizations. There are some 16 that report to you and you are the guy that sort of coordinates that and you go in and brief the President. How long does that brief last? Is it 30 minutes, is it an hour, is it --

DIRECTOR McCONNELL: Six days a week, sometimes seven. If need be, it's seven. The bad guys don't take a day off, so if they're active we brief seven.

CHARLIE ROSE: If there's a crisis, you go in.

DIRECTOR McCONNELL: Minimum 30 minutes. About the most we've ever done is an hour and a half. But on average it's either 30 minutes or 55 minutes.

CHARLIE ROSE: Who's in the room? You, the President, the Vice President?

DIRECTOR McCONNELL: Correct. The Chief of Staff, Josh Bolten.

CHARLIE ROSE: National Security Advisor.

DIRECTOR McCONNELL: The National Security Advisor, Steve Hadley.

Now we made a little change when I came in. It was a good idea, I'd like to claim credit. It wasn't my idea. It was Josh Bolten's idea. The idea was look, let's organize the briefing to fit the President's routine and schedule so where he's focused on the right things at the right time and so on; and let's introduce something we call a deep dive. So everything's topical, eight, ten, twelve articles of what's hot. But let's go deep on things he's worried about.

So we bring in two analysts, sometimes three. People who speak the language, have lived in the country, know every player often times personally. Deep experts. We give him a paper the night before, and give the President just a chance to have a dialogue.

The very first one we did was a very tough area, I won't mention the specifics, but a gnarly, tough problem, hard to understand. We brought in a young woman who spoke of the places, two of the languages beyond English; and a young man who had studied this particular area for over 20 years. And what was scheduled for an hour went for an hour and a half and the President said I like this. As long as I'm sitting in this seat we're going to do this on these hard problems. So we've been doing it ever since.

CHARLIE ROSE: What's your assessment today about the condition of American intelligence? And as you leave, what advice are you going to give, I assume it's going to be Admiral Blair?

DIRECTOR McCONNELL: The United States intelligence system is the best in the history of the world.

CHARLIE ROSE: The best in the history of the world?

DIRECTOR McCONNELL: The best in the history of the world.

CHARLIE ROSE: How do you know that?

DIRECTOR McCONNELL: Well, my job is to know how the others are doing. We are global. We have tremendous resources. We're in space. We're underwater. We're listening. We're taking pictures. We have human agents. I can say with full confidence we're the best in the world. That doesn't mean others aren't very very good, and some are very good at specialized pieces, but global.

The United States, by and large, has the ability to know where there's a problem, where we need to focus. And the system we've designed can deliver capability to within a foot on any place on the globe.

CHARLIE ROSE: Is that different than circumstances in 2003 and 2002?

DIRECTOR McCONNELL: Here's the difference. Any large bureaucratic organization has a culture. Large bureaucratic organizations often will start to defend that culture and define reality in its own self-interest. That's true in government, it's true in business, it's true in everything.

CHARLIE ROSE: Universities.

DIRECTOR McCONNELL: Exactly. So we had created a system where the person responsible for community also was the Director of CIA. Running the CIA is a large, complex, demanding, middle of the night calls, up early every morning, talking to counterparts around the world. This is a full time job.

So the community didn't really have anybody focused on it. The wisdom of creating the position I'm privileged to occupy is I wake up every morning, I'm thinking community. I'm not worried about CIA or National Security Agency or --

CHARLIE ROSE: You're thinking about coordination of the entire Intelligence Community and --

DIRECTOR McCONNELL: Exactly.

CHARLIE ROSE: -- is the National Intelligence Estimate going to be perceived correctly, it's all of those kinds of things.

DIRECTOR McCONNELL: And do we need to change the law? Do we need to change regulation? And forcing it through.

CHARLIE ROSE: As I read and talk and all of that, I hear two things. One is that some people suggest there ought to be a separation between, in terms of the way things work, and that the CIA ought not to be involved in data analysis. That ought to be done somewhere else, the DDI or whatever it might be, and reporting to you. And that the CIA ought to be about the business of human gathering of intelligence. That's what they do. And we need to emphasize that because you cannot measure by data human intentions, only by information from people on the ground. So separate the two for me.

DIRECTOR McCONNELL: I've heard the argument, and that is a way to do it. There would be trauma in doing that. There is wisdom in perhaps doing it. There's wisdom in not doing it. Let me just make a couple of points.

Let me divide the Central Intelligence Agency in what we used to call the DO, the Director of Operations; the HUMINT, the clandestine guys, now called the National Clandestine Service; and the DI, Directorate of Intelligence.

The Directorate of Intelligence has people who focus on literally any topic members of the United States government could care about. They're the best because they have such broad focus.

Now you mentioned, I grew up on the Navy side and I'm an intelligence officer. I had a focus on maritime intelligence. We were very very good at maritime intelligence, but we're very narrow. We read the broader information but we had to worry about things like nuclear submarines underwater, nuclear tipped missiles, sound in water, we had a very specific focus.

So the function of the CIA's DI has to be done somewhere. You could try to move it. To me there is no compelling case to move it.

CHARLIE ROSE: George Tenet in his book argues that there ought to be a debate about a domestic intelligence service.

DIRECTOR McCONNELL: Yes. That debate was carried out. We made a decision --

CHARLIE ROSE: America's CIA operates overseas; the FBI operates domestically.

DIRECTOR McCONNELL: Correct. The difference, in the British system they have an organization, MI6, is responsible for overseas like the CIA.

CHARLIE ROSE: Right.

DIRECTOR McCONNELL: But they have a domestic intelligence service with no arrest powers. MI5. That's their focus to work internally.

We had that debate and made a decision that we would do that with the FBI.

Now that caused the FBI to be challenged to change culturally to an entirely different focus, and that's been a long, tedious process. You change a large organization and it has a 100 year history --

CHARLIE ROSE: FBI is also involved in law enforcement.

DIRECTOR McCONNELL: Indeed. And you're attempting to do an intelligence function with law enforcement trained people which is very different.

Remember, law enforcement you gather, you preserve, you want a court case. In the intelligence business you've got to gather it and disseminate it quickly. If you're not giving it away, nobody is interested in an intelligence guy. On the law enforcement side you have to preserve evidence for a case. So culturally we're different.

Now let me just say Bob Mueller, the Director of FBI, is a fantastic leader, a great American, and he has embraced this need for change and he is marching through that process, but it is a challenge.

CHARLIE ROSE: Others have said to me that the Special Forces are taking over some of the jobs that the CIA used to do.

DIRECTOR McCONNELL: That was a complaint and a criticism early.

CHARLIE ROSE: It happened in Afghanistan where you worked together.

DIRECTOR McCONNELL: Indeed. And the force of some personalities at the time. They had opinions about why are they doing it? Why shouldn't we be doing it and so on.

What happened was, if you are facing a new enemy, a new warfare that we have never faced before, global terrorism, where people want to come into the United States, mass casualties and so on. The Department of Defense went through a process to say we want warriors who are trained in things that CIA does, that can gather information and be better positioned to carry out our part of the mission given that we have to do that.

So in the early going they were aggressive in getting out there to learn to do things. So we went through a process. Wait a minute, we're a nation of laws, we have authorities that are consistent with the law, so let's work with the process to define the terms as to who's going to do what.

So we define that activity now. If it's covert activity, which is defined in the National Security Act of 1947 as amended. We do that on the intelligence side. If it's clandestine, meaning you're trying to keep it secret, but if you're caught it's us, yeah, we're the guys, that's the way it's done under Title 10 on the Department of Defense side.

CHARLIE ROSE: Renditions. Some have asked, and I've heard that presidential candidates have asked this. What would be the consequences of not having renditions for America's security?

DIRECTOR McCONNELL: It would take away some tools that have proven to be very valuable, and thank you for the question because it gives me an opportunity for context. There is always claim and counter-claim of --

CHARLIE ROSE: Let me just make one point. Some people believe that renditions are a way for Americans to send people that they want to interrogate to another place where they will do interrogations that the Americans would not do themselves.

DIRECTOR McCONNELL: That is the claim.

CHARLIE ROSE: Including torture.

DIRECTOR McCONNELL: That is not consistent with our law or our intent, our behavior.

Often if you have an agenda where you're trying to make a point politically you can argue something and it actually gets picked up and repeated in the press so it becomes ground truth in perception. Since 2001 until now there have been fewer than 100 renditions.

Now you used the word torture. I would not use that word. I would use the --

CHARLIE ROSE: It is the perception.

DIRECTOR McCONNELL: It is the perception. I would use the word interrogation. We haven't, in the community, done anything that is defined as torture in law.

CHARLIE ROSE: And waterboarding has not been or has been defined as torture?

DIRECTOR McCONNELL: It has not been defined.

CHARLIE ROSE: So you can do waterboarding and still be doing something that was not defined as torture.

DIRECTOR McCONNELL: It has not been defined in law. And it hasn't been used since 2003. So the question hasn't been asked.

Now the Congress went through a process to review this and they had the opportunity to say you could only use a given number of techniques that are currently spelled out in the Army Field Manual. They chose not to do that because they did not want to take away the options of conducting interrogations --

CHARLIE ROSE: And people like General Powell and Senator McCain on the other side.

DIRECTOR McCONNELL: Yes, indeed.

The tragedy for us was Abu Ghraib because that set the world mindset, it set the population of the United States public. When you saw a film of someone obviously being tortured, dogs, hoods, that was wrong. It was morally wrong. And we lost the moral high ground as a result of that.

That was confused with what we have been asked to do in the Intelligence Community, to take hardened terrorists off the battlefield and conduct interrogation to get information to protect the country. That's what we were asked to do. It was determined to be legal. And that's what we did.

Now the facts are when we didn't know much early, and early going there was a lot we did not go, where we got our most information was interrogation of those we took off the battlefield.

CHARLIE ROSE: So you got valuable information in taking people off the battlefield and using different rules than you might under the Army Field Manual.

DIRECTOR McCONNELL: Indeed. A technique that allows us to extract information consistent with U.S. law. We did not violate the law. We always had a legal opinion. So the debate now is was that legal opinion appropriate. So the new administration is going to go through a process to review this. When they ask me, and I presume they will, my response is going to be the Army Field Manual was created for a purpose. That's for 19, 20, 21 year olds, battlefield conditions, fast moving, do it consistent with American values, with exactly the rules that the Geneva Convention has spelled out for the protection of a legal combatant.

The situation of a hardened terrorist who is willing to die for his cause, who wants to have mass destruction right here in New York, who will not talk to you or give you information, can you use techniques, determined to be legal by the Justice Department, to extract that information?

In the early years after 9/11 the majority of the information that we had that saved lives, came from interrogation.

CHARLIE ROSE: Do you believe that because of the interrogation techniques you learned things that saved lives. That's what you're saying.

DIRECTOR McCONNELL: We did.

CHARLIE ROSE: Including Khalid Sheikh Mohammed.

DIRECTOR McCONNELL: KSM, that's correct.

CHARLIE ROSE: KSM who is going to be on trial soon.

DIRECTOR McCONNELL: Yes.

CHARLIE ROSE: You learned things from him by techniques that were used with him, because it is said that he was waterboarded, for example.

DIRECTOR McCONNELL: Yes.

CHARLIE ROSE: And he gave you information.

There is this question also. We have not had an attack on America since 9/11.

DIRECTOR McCONNELL: And that's because --

CHARLIE ROSE: That's my question.

DIRECTOR McCONNELL: That's because the actions that were taken by the United States government post 9/11 to become very aggressive, to interfere with the planning and plotting to repeat the activity of 9/11, with the intent being more casualties of 9/11, that's the intent. Clearly stated.

So think of it this way, and I'll just use a football analogy. Would you rather be playing defense right here in New York City, or would you rather be playing offense where they are operating today? We're playing offense on their goal line.

CHARLIE ROSE: Meaning what?

DIRECTOR McCONNELL: Meaning we go there to keep them from being successful coming here. And where we are today, I wouldn't go so far as to say we have a strategic victory over al-Qaida. Broadly, as we have achieved a strategic victory over al-Qaida in Iraq -- I told you about an 80 percent reduction.

CHARLIE ROSE: Right.

DIRECTOR McCONNELL: But we have currently the senior al-Qaida leadership very worried about their safety and their facilities and their colleagues as opposed to plotting to --

CHARLIE ROSE: Speaking of that, why haven't we been able to capture Osama bin Laden?

DIRECTOR McCONNELL: A single human being who is isolated, does not communicate, somewhere in a region of the world that -- Just take the Federally Administered Tribal Areas. About the size of the state of New Jersey. It goes from about 4,000 feet to 14,000 feet. There is no government, that people are walking around with police officers or levels of control. You remove yourself so you're totally isolated and I would add ineffective because you are isolated. It makes it very hard to find someone.

CHARLIE ROSE: Do you think he'll eventually be found?

DIRECTOR McCONNELL: I do.

CHARLIE ROSE: In the next four years?

DIRECTOR McCONNELL: I wouldn't say in four -- I don't know when. We will eventually get him. I would highlight, you can run but you cannot hide forever.

CHARLIE ROSE: That's what Sonny Liston said I think.

DIRECTOR McCONNELL: Indeed. Well, you will soon see in the next day or two one who was indicted for the bombings in East Africa in 1998. Indicted --

CHARLIE ROSE: In Kenya?

DIRECTOR McCONNELL: In Kenya and Tanzania. Indicted here, I believe, in New York. They are no longer with us.

CHARLIE ROSE: Okay, wire tapping is necessary and it's okay without a warrant because? In your judgment.

DIRECTOR McCONNELL: Wire tapping is essential. It is now probably more than half of the information we have about understanding these guys and so on. And it's very simple. When the law was written in 1978, the way it was written, the way it was phrased said if you take information from a wire inside the United States you have to have a warrant. That's what it said.

Well, in today's world, remember I mentioned about fiber earlier. Ninety percent of the world's communications is in fiber. It was quite often that a terrorist in a foreign country talking to another terrorist in another foreign country was passing through the United States.

So what we had to do was change the law to say if we're targeting a foreigner in a foreign country talking to another foreigner, we do not require a warrant, regardless of where --

CHARLIE ROSE: Why wouldn't you want to get a warrant, is the question?

DIRECTOR McCONNELL: First of all, getting a warrant is not an easy thing to do. It's a very -

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CHARLIE ROSE: FISA --

DIRECTOR McCONNELL: FISA work, it's a big case. It took the analysts off now to go -- Probable cause is a hard cause to solve, and our business, they created us, spend billions of dollars to understand what foreigners are doing. So if a foreigner was on a walkie talkie in a foreign country, nobody asked the question. The only difference is instead of a walkie talkie he's on a cell phone and the path, rather than from Point A to Point B in a foreign country just happens to come to the United States.

So the argument was if we're doing foreigners overseas, no warrant. The Congress agreed.

Now here's the other thing that most Americans don't appreciate, haven't been exposed to. When we redid that law, the law now says any U.S. person, any U.S. person, that's targeted for foreign intelligence must be protected by a warrant anywhere on the globe. So we actually have a much more stringent law today protecting Americans and civil liberties --

CHARLIE ROSE: But the administration did not support what the Democrats wanted to do in Congress. Fair enough?

DIRECTOR McCONNELL: We had two-thirds of the House, and two-thirds of the Senate voted for this bill.

CHARLIE ROSE: Okay. Your proudest achievement as Director of National Intelligence?

DIRECTOR McCONNELL: Probably two things. We had to get the law square with the Foreign Intelligence Surveillance Act so that we could do our mission foreign and we could protect the civil liberties of Americans. That is now the law of the land. It took two years. A lot of claim/counter-claim, a lot of misunderstanding, but it's done. I was particularly pleased by the level --

CHARLIE ROSE: Right.

DIRECTOR McCONNELL: Second, Executive Order 12333. Last signed by President Reagan in 1981, and the world has changed. What I learned, having been now a student of bureaucracy, any time you want to change or examine roles or missions or functions, you have a big fight on your hands. I'll tell you the humorous side of this.

We wanted to redo, this is the foundational document for how the community will operate. We took the old one with President Reagan's signature, took it off, took off the date, stamped Draft on it, and put it on the table. We had violent objection from the entire community about the written words. You can't possibly expect us to do that. (Laughter).

CHARLIE ROSE: Your biggest disappointment?

DIRECTOR McCONNELL: There's still a lot left to do with foundational policies. Out of 12333 we have, Executive Order 12333 we have probably 14 different policy decisions that we have to get to closure on. They're hard.

CHARLIE ROSE: The human intelligence is much more difficult than it was when we had two super powers, the Soviet Union and the United States, against each other.

DIRECTOR McCONNELL: No.

CHARLIE ROSE: It's not? Why isn't it, because --

DIRECTOR McCONNELL: We deemphasized it.

CHARLIE ROSE: Deemphasized the human intelligence?

DIRECTOR McCONNELL: In the Cold War. Think of it this way. World War II, we did two things. We broke the code of the allied powers, and we took wonderful human beings who were willing to go behind the lines to run resistance, human intelligence.

In the Cold War, because of denied territory, we did good HUMINT but at a reduced level. We went more to the technical side. We took the high ground where we could see and observe and so on, and we were very good at it.

Our mistake was at the end of the Cold War we didn't adjust. Today our human intelligence capability is tremendous. It's been reestablished, we're on an upward path, it's very good --

CHARLIE ROSE: You have people that speak the language, who have connections in the communities where you have to have if you're --

DIRECTOR McCONNELL: Yes. I'll give you an example. Just to clear a second generation American who speaks the language, who understands all the issues, it used to be -- it wasn't a law, it wasn't policy, they'd just be screened out. We changed those rules.

We need people who understand regions and language and so on, and we're trying to increase those numbers.

CHARLIE ROSE: At one time you were the -- I don't care whether this is apocryphal or not. You were the intelligence officer for the Chairman of the Joint Chiefs, intelligence advisor, whatever the role was. The Chairman of the Joint Chiefs at that time was Colin Powell.

DIRECTOR McCONNELL: He was.

CHARLIE ROSE: Tell me the story, whether it's true or not, about driving out to Langley.

DIRECTOR McCONNELL: (Laughter). It was driving out to the National Security Agency where I was privileged to be its new Director. I'd been trying to get him to come out. The story goes --

CHARLIE ROSE: The story goes. (Laughter).

DIRECTOR McCONNELL: -- we weren't going fast enough so he asked the driver to pull over and he got in --

CHARLIE ROSE: It was his driver.

DIRECTOR McCONNELL: His driver. I was with him. We got to the base and when we got to the base he didn't slow down and we got pulled over.

A young sergeant who walked up with his book looked in. There are two people in the back seat, the driver and me.

CHARLIE ROSE: And Colin Powell, the driver.

DIRECTOR McCONNELL: So he goes back to the radio. And I rolled the window down so I could hear. He said, sarge, I'm out here on the main boulevard and I've got a problem. He said, what's the problem? He said, well I've got a car that was speeding. He said, well, no problem, give him a ticket. He said you don't understand, he said you don't understand who's in this car. This is really a problem. He came back again and said who is in that car? He said, I don't know, but General Powell's his driver. (Laughter).

CHARLIE ROSE: He has to be important because his driver is General Powell.

DIRECTOR McCONNELL: Right.

CHARLIE ROSE: Thank you for coming.

DIRECTOR McCONNELL: Thank you.

CHARLIE ROSE: Mike McConnell, the Director of National Intelligence, the man who briefs the President every day. Thank you for joining us. See you next time.

** The Unclassified NIE Key Judgments were publically released on December 3, 2007*