

Intelligence Security Diary

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1 May The U.S. military's European Command is headquartered in Stuttgart, Germany and General James Jones, the Supreme Allied Commander of the North Atlantic Treaty Organization, commands it. It has the responsibility for Africa and has initiated a very pro-active agenda for the continent. The Iraq pre-occupied Bush Administration was tending to overlook Africa's long-running humanitarian crises, however, they are placing increased emphasis on this region because of the continent's new triple threat; Islamist terrorism, energy security and growing Chinese influence.

- Radical Islamist groups in Africa have increased recruiting and influenced by al Qaeda have developed infiltration routes to Europe, Iraq and the Persian Gulf. In a recent audiotape, Osama bin Laden called on his followers to go to Sudan to fight in the Darfur region.
- Record crude-oil prices and increased Western dependence make protecting African resources more critical. Approximately 15%-20% of U.S. oil imports flow through the Gulf of Guinea (West Africa). Piracy and 'bunkering' – the widespread siphoning of oil from pipelines - prevails.
- China has made Africa a front line in its pursuit of more global influence. Economic interests have attracted Beijing, however, it has gained political influence through infrastructure projects, aid programs and weapons. Its trade is increasing exponentially and it is educating Africa's future elites at Chinese universities and military schools. Chinese President Hu Jintao visited three African states; Morocco, Nigeria and Kenya on his return to China following the visit to the United States.

Africa's overall economy is growing at about 5% per year and the Council on Foreign Relations estimate that 40% of its countries are electoral democracies. Africa, however, includes many regions that are lawless, corrupt and bitterly poor – ideal breeding grounds for extremists. General Jones has created a 'task force initiative' that includes the following:

- A group including representatives of 15 U.S. government agencies has been established in Stuttgart to maximize the coordination of initiatives.
- General Jones has enlisted the U.S. Chamber of Commerce to bring business leaders to Africa. In the General's words, " The fight in the 21st century is about coordinating all elements of national influence so that it works together in a seamless way. If nothing follows the military in Africa, we won't succeed."
- A counter-terrorism program will provide intelligence and training and promote cooperation amongst an initial nine countries. The budget for the Trans-Sahara Counter Terrorism Program is currently \$60 million.
- The defense ministers of these countries will initiate the strategy against the most visible armed Islamist threat - the Salafist Group for Preaching and Combat – an associate of al Qaeda.
- An increased military presence will be orchestrated in the Gulf of New Guinea. The first live exercise of the alliance's new rapid-reaction force is scheduled for the Gulf this summer.

2 May The secretive shareholder in Rosukrenergo AG was revealed as Ukrainian businessman Dmytro Firtash following an inquiry by the U.S. Justice Department. Rosukrenergo became a focus of international attention in January when it emerged as an intermediary between Moscow and Kiev in a deal to resolve a dispute over gas prices that led to a brief reduction in Gazprom's exports to Europe. Gazprom owns 50% of Rosukrenergo but Firtash's identity were concealed behind a trustee arrangement with Austria's Raiffeisen Bank AG. Firtash indicated that he concealed his identity to avoid political pressure in Ukraine. He also indicated Rosukrenergo may pursue an initial public offering in the near future. Firtash owns 45% and stated Rosukrenergo has no political or other connections and indicated a business associate who isn't involved in the company operations holds the remaining 5%.

[Firtash spent most of the 1990s trading gas between Turkmenistan and Ukraine and created Rosukrenergo with Raiffeisen to "allow Gazprom to take a stake in the lucrative business". Gazprom indicated they thought they were dealing with Raiffeisen, were content with the bank as a partner, and, were encouraged by Rosukrenergo's commitment to upgrade the pipelines carrying gas from Central Asia across Russia to Ukraine. Gazprom indicated they were aware of Mr. Firtash's identity only in the past

several weeks. The various statements brought smiles (of acknowledgement and belief of course) to the faces of intelligence analysts monitoring the situation. "This will certainly be a 'hot' IPO", was heard on one desk.]

3 May Bolivian President Evo Morales announced the nationalization of the country's biggest natural gas field, San Alberto, and ordered army troops to take control of other fields. The President stated, *"The time has come, the awaited day, a historic day on which Bolivia retakes absolute control of our natural resources"*. The Bolivian move mimics similar measures against 'Big Oil' in Venezuela where President Chavez is forcing major oil companies to accept a minority stake in fields they previously owned and hand over more money through higher taxes and royalties. Bolivia boasts the second-largest natural-gas reserves in South America but it isn't ranked in the top 20 of the world's biggest gas deposits. Bolivia exports nearly all its 1.3 million cubic feet a day of output to neighbouring Brazil – events in Bolivia will not affect the price of natural gas in other parts of the world. Companies can't really ignore Venezuela because it controls so much oil – however they are in a position to simply "walk away" from Bolivia. Since opening up its energy sector in 1996 it has attracted about \$3.5 billion in investment. Venezuelan President Chavez is orchestrating the events in Bolivia. A future Open Source Intelligence section of the Intelligence Security Diary ("the Diary") is scheduled to contain a **FOLIO** on Venezuela and Chavez.

5 May There is growing concern in Washington that Hezbollah will be aggressively activated if either the U.S. or Israel undertakes military strikes against Iran's nuclear facilities. Hezbollah is a militia and socio-political group based in Lebanon, with a global infrastructure that allows it to conduct operations in Europe, Asia, and the United States. It is closely linked to Iran. During the past few months the Bush Administration has moved against certain entities that have funded Hezbollah. In March, the Treasury Department applied sanctions against three Lebanese media organizations it believes have facilitated Hezbollah's military operations. They are the **Al-Manar** satellite television channel, the **Nour** radio channel and the **Lebanese Media Group**. The sanctions prohibit any financial transaction between Americans and the designated entities and freeze any of their assets under U.S. jurisdiction. Hezbollah's military operations are intertwined with Middle Eastern businesses and civilian organizations. In Lebanon, Hezbollah is widely viewed as a legitimate organization with deep roots in Lebanese society – even by many anti-Syrian political leaders "favourably inclined" to the U.S. government.

[Intelligence sources indicate that Hezbollah poses a more serious threat than al Qaeda because of its structured military command and decades of terrorist activity. Hezbollah teams have regularly done surveillance on U.S. embassies in Europe in preparation for attack. There are also reports that Hezbollah has an extensive missile-ordinance deployed in the Bekaa valley targeted on Israel. Any U.S. or Israeli military strike will be met by serious counter-action. The recent demonstrations against the 'Muslim cartoons' are seen as preparation for marshalling the Muslim communities worldwide in the event of such an attack on Iran. Widespread civil demonstration accompanied by terrorist attacks is part of the plan to broaden and accelerate terrorist activity internationally. If Hezbollah uses 'tactical' weapons of mass destruction in its missile attacks, however, Israel's reaction will not be other than nuclear. What does this mean in real terms - the 'real terms' that Jim Cramer and the world understands? Dow Jones at 4,000 – anyone? Practitioners of the dismal science (economists) would call this the 'geo-political risk assessment variable' – layman's term – 'crap-out'!]

8 May As reported in recent issues of the Diary, concerns about corporate-governance issues among Russian energy players now have reached the Frankfurt Stock Exchange. A holding company in Cyprus is set to sell shares in Austria-based CAT Oil, in an offering expected to raise about \$300 million. CAT Oil has stated in its securities filings that its majority owner is a Western Investor, however, in an article appearing in the *Wall Street Journal*, it is reported, that at least in the past, its major shareholders included current or former top executives of Russia's OAO Lukoil. CAT Oil gets lucrative contracts from Lukoil – a potential conflict of interest? Lawyers representing Vadim Schmidt, the son of late Lukoil executive Vitaly Schmidt claim he was improperly deprived of his interest in CAT Oil after his father's sudden death in 1997. "In particular, details about the person of the anonymous individual investor, who claims to be in possession of a controlling interest in the selling shareholder, are incorrect and aimed at

deceiving the shareholders.” CAT Oil has stated that the unidentified Western Investor is an Austrian accountant named Walter Hoeft. Gerhard Strate, the Chairman of CAT Oil and a prominent German criminal-defense lawyer, stated that while Lukoil executives might have previously held interests, Mr. Hoeft, an expert on trust law, is now the true majority owner. Mr. Strate indicated Mr. Hoeft acquired CAT Oil in a series of transactions conducted under Cypriot law in 2000. In a recent Liechtenstein court case, Mr. Hoeft described himself as a former financial advisor to Mr. Schmidt. He is also listed as a trustee of a Liechtenstein foundation that wound up in control of much of Mr. Schmidt’s assets after his unexplained 1997 Moscow death. In a March 1998 tally of the profits from a CAT Oil affiliate; the former Lukoil executives are listed as eligible for \$4.4 million each.

[The Diary has commented frequently and extensively on Russian corporate-governance issues – perhaps an apology is even due to our readership in that the numerous entries may have read as a course in “international legal corporate structures ...and their abuse”. It is interesting, however, to note that international investors are now asking many of the questions originally posed by the Diary. The more frequently these situations come to market and face the rigorous vetting of various national securities authorities the more likely “facts will be out”. The following is a quick summary of the key situations the Diary has discussed:]

- Rosneft: Energy company buys assets seized from oil giant Yukos at forced auction.
- Gazprom: Former German chancellor named to head subsidiary board within weeks of leaving office.
- Rosukrenergo: Secretive Ukrainian shareholder goes public in April, after investigation opens in U.S. into company 50%-owned by Gazprom.
- CAT Oil: Company gives investors a chance to pull out of its IPO after disclosing allegations that it says may result in negative publicity.

[...They (investors) won't “pull-out” of the IPO – Lenin was right – there will always be other capitalists providing more rope! His ghost was reported seen smiling - reading the stock quotations of the Frankfurt Stock Exchange.]

9 May Georgian President Mikhail Saakashvili was in Brussels and warned a meeting of influential U.S. and European government and private sector leaders that Russia, China and others are using state-controlled corporate giants like Gazprom to lock up critical assets and prevent free markets from functioning. Russia is moving quickly to consolidate and expand its virtual gas monopoly in many parts of Europe through state-controlled giant OAO Gazprom. Gazprom is following a three-pronged strategy:

- It is moving to bottle up its control of Central Asian gas resources.
- It is consolidating and expanding its hold on energy infrastructure among countries that were once part of the Soviet Union.
- It is using an expanding war chest to acquire private energy assets elsewhere in Europe.

Vladimir Putin has threatened to divert gas supplies to Asia, in response to European countries efforts to impede Russian energy acquisitions, diversify suppliers and pressure Moscow to open its pipelines to competitors. Last January Moscow briefly cut-off natural gas to Ukraine, which generated immediate consternation, but given the quick resumption of supply, has not led to any common front against Mr. Putin. *(The Diary commented on this in its January 12th entry, “Putin was ‘brilliant in retreat’! He allowed the crisis to last only a few days – enough to confirm Western Europe’s vulnerability, minimize economic dislocation and insufficient time for any collective counter-action to be initiated. His tactical moves generated the desired results. Ukraine and other border states now know Moscow will use energy to fulfill political goals.”)* In June, Georgia, a potential key alternative gas-pipeline corridor will host an International Energy Agency-sponsored meeting in Tbilisi to promote energy diversification. Russia has refused to join the meeting and reports indicate Moscow is lobbying strongly against others’ participation.

[The strategic stake at risk is the political and economic independence of the European Union's 25 countries. Putin's 'battle plan' was enunciated in a 2003 internal Kremlin document on "Energy Strategy Through 2020". It described Russian energy reserves as, "a base for the development of the economy and an instrument for the conduct of internal and external policy. The role of the country in the world energy market to a significant extent determines its geopolitical influence." In recent weeks Secretary of State Condoleezza Rice and Vice President Dick Cheney have "spoken-out" against Putin's strategy. The Diary has discussed Putin's strategy frequently over the past two years and was profiling his 'chess-game' even in its initial deployment. The European Union now wants Russia to agree to an International Energy Charter requiring it to open pipeline access to competitors-much as telecommunications companies share their bandwidth... Not very likely! Putin has executed magnificently on his 'game plan' - Perhaps even Condi and Dick now sense it was 'GAME-SET-MATCH' to Putin - two years ago! ... Its embarrassing when 'the enemy' draws this much of your envy - Vladimir is one very brilliant Intelligence Officer! - In many respects, he reminds the Editors of themselves in their earlier careers?...Spoken in jest, of course!]

10 May President Bush has nominated Air Force General Michael V. Hayden to head the Central Intelligence Agency. General Hayden is the former head of the National Security Agency that handles government eavesdropping programs and would succeed Porter Goss, who resigned as head of the CIA on Friday. This kind of nomination always leads to inordinate commentary in the media - this situation is no exception. The confirmation hearings are expected to be lengthy and offer a substantive amount of 'open-source' information. Please refer to the **FOLIO** entitled **Open Source Intelligence - Model**. It will be used as a '**collection folio**' into which the salient 'open-source' material emanating from Hayden's nomination process will be placed and analyzed.

[There has been some criticism that General Hayden comes to the post with too narrow or specialized an 'experience-set'. He is essentially a military officer who has worked almost exclusively in the world of technical intelligence. Major-General (Retired) Alan Pickering, who serves on the Advisory Board of the Diary, is both a former Chief Intelligence and Security in Canada's Department of National Defense Headquarters and a former Director General Information Technology Security - equivalent to the National Security Agency. Alan Pickering likes General Hayden's 'blood lines'.]

12 May The administration's main vehicle for rebuilding Iraq has been designated "Relief and Reconstruction" funds, which by law are overseen by a special inspector general, Stuart Brown. The new money going toward similar reconstruction goals will be classified as coming from "Foreign Operations" accounts. By law, Mr. Bowen can oversee only relief and reconstruction funds. Mr. Bowen, who has 55 auditors on the ground in Iraq, will be barred from overseeing how the new money is spent. The new funds will be overseen by the State Department's inspector general's office, which has a much smaller staff in Iraq, and has indicated to Congress it does not have the resources to carryout the oversight mandate. Appropriations Committee aides have indicated legislators shifted the Iraq money to the foreign operations accounts at the request of the White House.

[Political sources in Washington indicate that this could become a contentious political issue very quickly. Administration officials indicate they, "sought the change to streamline accounting so the Iraq reconstruction would be incorporated into the State Department's operations and budget rather than kept in stand-alone accounts".]

15 May President Bush's low approval ratings will cause the White House to orchestrate votes in Congress in coming months on social issues crucial to conservatives. The objective is to galvanize fiscal and social conservatives and get them to vote in November instead of sitting out the elections because of mounting frustration over government spending, illegal immigration, a stall in judicial nominations and what they feel is a lack of leadership in Washington. A recent poll showed conservative support for Mr. Bush at just over 50%, from a group that usually backs the White House at a rate of 80% or more. Congressional leaders are lining up the series of votes to ease discontent within the Republican Party.

[Intelligence analysts are monitoring the situation because a decided shift against the Republicans in November could change the chair positions of crucial committees, which would lead to a more intense and adverse scrutiny of the White House.]

18 May The National Security Agency's current director; Lt. Gen. Keith Alexander, briefed all 15 members of the Senate Intelligence Committee, on the NSA's domestic surveillance program. The briefings were held one day ahead of confirmation hearings for Gen. Michael Hayden, the former NSA director, whom the White House has appointed as the new head of the Central Intelligence Agency. In San Francisco a federal judge ruled that sealed documents filed by a privacy-rights group could be used in its class-action lawsuit against AT&T. The lawsuit accuses AT&T of illegally cooperating with the NSA to collect phone records without court authorization. The judge ruled the documents would remain sealed, however, until information that could reveal trade secrets can be redacted. AT&T wouldn't comment on the suit.

[The Bush administration had urged the judge to dismiss the case, saying it threatens to divulge state secrets and jeopardize national security.]

19 May In the first day of confirmation hearings General Hayden, who headed the National Security Agency from 1999 to 2005, said that the NSA's warrant-less wiretaps of international calls tied to terrorists were legal and had been sufficiently cleared with Congress. The General, however, declined to address charges that Mr. Bush authorized much broader surveillance activity carried out by the NSA – cataloguing millions of domestic phone calls. He stressed that as CIA director he would play a leading role in setting higher standards for collecting HUMINT at all U.S. Intelligence agencies and would seek to better integrate the agencies. He also indicated that as CIA Director he would serve as a coordinator of all U.S. human Intelligence gathering and would regulate the Defense Department's clandestine activities. The Defense Department currently controls 80% of the U.S. government's Intelligence budget. General Hayden's confirmation would see active military officers in charge of all of Washington's principal spy agencies.

23 May A commercial tribunal in Switzerland has concluded that Russian communications minister, Leonid Reiman, a close ally of Russian President Vladimir Putin, took advantage of his official position to enrich himself. The panel cited a broad range of evidence as well as sworn testimony and rejected IPOC International Growth Fund's claim to a stake in OAO Megafon, now controlled by Russia's Alfa Group conglomerate. Mr. Reiman has repeatedly denied the allegations made in the Zurich ruling, however, it states that Mr. Reiman's denials "have no credibility" and that he was "the sole beneficial owner" of IPOC while a minister in 2001 and 2002. The Zurich ruling also states that Mr. Reiman "used his powers contrary to the interests of his office" by forcing at least one telecom company owned by rivals to buy a company he owned "for an exorbitant amount" in order to obtain government operating licenses.

[The Diary commented on this situation in its February 2006 Open Source Intelligence commentary "FOLIO-PUTIN". The Swiss ruling is likely to fuel concerns in Russia and the West that Mr. Putin's drive to centralize Kremlin control and squelch opposition is contributing to a surge in official corruption. Mr. Putin has not commented publicly on the allegations against Mr. Reiman. Intelligence analysts are watching events closely. The analysts believe that if Mr. Putin is as ruthless an operator as his record against the oligarchs suggests that he will move decidedly against Reiman – if "however" Putin has a hidden agenda he will try to assuage the allegations – and this is of course "nothing we haven't seen before".]

26 May The Pentagon's Defense Intelligence Agency estimates that China's military-related spending will total \$70 billion to \$105 billion this year. The study states that China's investment in long-range ballistic missiles, naval assets and strike fighters confirms Beijing's intention to project its power beyond Taiwan and China's perimeters. China's navy will move to secure its energy and resource needs arriving from Southeast Asia and the Middle East by expanding its presence through the straits of Malacca and into the Indian Ocean. China recently conducted naval maneuvers with Pakistan.

31 May The Dundurn Group has published, "*Inside Canadian Intelligence*", by Dwight Hamilton. The book is subtitled, "Exposing the New Realities of Espionage and International Terrorism".

The inside jacket of the book states:

"Since 9/11, Canada has been on the front lines of a New World Order that few understand. And in this world, intelligence is not just the first line of defence — it may be the only one. Editor Dwight Hamilton has assembled a formidable cast of former intelligence officers and journalists to take you inside the covert and dangerous world of espionage and international terrorism.

For the first time in history, a concise exposé of every government organization in the Canadian national security sector is available to the general public. With first-hand accounts and informed analysis, the team behind *Inside Canadian Intelligence* has the esoteric expertise to accurately portray the new realities like no one else can. Forget James Bond: this is the real thing."

This book's dedication reads:

"This book is dedicated to those of Canadian intelligence services who gave their lives in the line of duty."

The author acknowledges the advice of a revered soldier and spymaster.

"The same spirit still lives. Perhaps it only survives through struggle. It is needed now to recreate an alliance in defence of the main priorities of Western civilization. This is what we did then. This is what we can do now."

— Sir William Stephenson
A Man Called Intrepid

[It is an excellent book – readers will enjoy "what is between the lines" as much as what is in the formal text. There is no doubt; 'foreign' intelligence agencies will be buying multiple copies of this book for their reference libraries and data banks.]

In Canada, the book is available at Chapters/Indigo or at local bookstores. In the United States local booksellers can order it from Dundurn's American address: 2250 Military Rd, Tonawanda, NY, 14150. It is easiest to obtain the book online from [Barnes & Noble](#), [Magers & Quinn](#) or [Amazon.com](#). In the United Kingdom, please contact [Gazelle Book Services Ltd.](#), White Cross Mills, High Town, U.K. LA1 4XS. It is also carried by a British website [Books.MusicaBona.com](#).]

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OPEN SOURCE INTELLIGENCE

FOLIO – OPEN SOURCE INTELLIGENCE – MODEL

The nomination of General Michael V. Hayden to head the Central Intelligence Agency comes at a time of much controversy surrounding the manner by which 'policy-dissidence' has become public –in a way extremely embarrassing to the Bush Administration. The nomination will be a political process and even at the announcement the Administration was "putting its spin" on the situation. General Hayden was introduced as an independent-minded career military officer who wouldn't be afraid to knock heads with Secretary of Defense Donald Rumsfeld and others inside the intelligence community. His limited experience running overseas spying operations (HUMINT) will be offset by the "return" of Stephen R. Kappes, a retired CIA veteran with decades of experience in the agency's clandestine service. Mr. Kappes resigned in November 2004.

Data Base Review – Goss/CIA

6 Jul 04 The intelligence community in Washington is focused on who will succeed George Tenet as CIA director. Speculation has centered on Deputy Secretary of State Richard Armitage and Deputy National Security Advisor Stephen Hadley. Mr. Tenet's deputy, John McLaughlin, is acting director and also a candidate for the appointment. *Porter Goss*, however, chairman of the House Intelligence Committee, has been lobbying actively for the position. He was a CIA Clandestine Services Officer from 1962-1971 and has served in the US House of Representatives since 1988. Mr. Goss has proposed a restructuring of intelligence that would significantly strengthen the power of the CIA director. He has proposed giving the CIA chief control over most of the intelligence community's \$40 billion annual budget – to set priorities as a true intelligence-gathering coordinator.

8 Nov 04 Reports have surfaced in the media that the new Director of Central Intelligence, Porter Goss, is conducting a 'house cleaning' as "exits of Tenet aides go on". Deputy Director Martin Peterson announced retirement while only a month ago Director Goss axed Executive Director Krongard.

12 Nov 04 Porter Goss is continuing to quell the anti-Bush insurgency in the Central Intelligence Agency's senior ranks. Today, deputy director John McLaughlin announced he was retiring and the deputy director for operations Stephen Kappes submitted his resignation. Goss is reported to have given wide latitude in running the agency to several aides he brought from Capital Hill. These aides, led by Goss chief of staff Patrick Murray, have clashed with senior and mid-level managers. Career officers have reacted strongly to indications that Goss's aides plan to get involved in day-to-day decisions in the CIA's directorate of operations. Goss's aides have complained about leaks in the news during the election campaign and are perceived as conducting a "search and destroy" campaign against the perpetrators.

[The 'old adage' of "those who live by the sword, will die by the sword!" comes to mind. Many inside the CIA expect an exodus of most of the people Mr. Goss brought to the Agency. These political appointments, known as the "Gosslings", were unpopular among career CIA officers who felt they lacked significant experience in intelligence matters.]

18 Feb 05 President Bush named John Negroponte, the US ambassador to Iraq, to the newly created post of director of national intelligence. he faces the task of setting up a bureaucracy to oversee the 15 US intelligence agencies and the roughly \$40 billion-a-year intelligence budget. The Bush Administration spent several months trying to find someone for the job. Sources indicate other candidates feared the pentagon, which controls approximately 70% of the intelligence budget, would resist bringing communications eavesdropping, satellite and other Defense Department-run intelligence operations under the new director's control. Mr. Negroponte, however, will have the benefit of an experienced deputy, air force Lieutenant General Mike Hayden, who has directed the National Security Agency since March 1999.

Media Dichotomy

There is an extreme dichotomy in the media concerning the manner in which intelligence policy 'dissidence' has been reported. It can be loosely differentiated into the 'Pro-Bush' and 'Anti-Bush' camps. a close examination of the media coverage, however, indicates at least three 'prisms' through which the information is filtered and manipulated. These prisms can be defined as: (i) the liberal-left and conservative-right journalistic ideological groups, (ii) the respective Pro-Bush and Anti-Bush republican and democratic partisan constituencies, and (iii) the professional intelligence community and "those on outside". an 'open source' intelligence analyst must be very careful to evaluate any information in the context of not only where it originates but also to what extent it has become biased as it passes through various conduits. an intelligence analyst must also be on the alert for possible (read – very likely!) 'disinformatia' – disinformation. there is no doubt Mr. Putin's former colleagues in the KGB (or whatever it is called today) are "licking their lips" over the 'treasure trove' of information and perhaps are even supplying some of it.

The space limitations of a monthly periodical prevents an elaborate discussion of these current prisms in detail, however, the following situation will demonstrate how information can be interpreted "so differently" by conflicting constituencies. It is the situation of Mary McCarthy, former CIA employee.

[The Editors of the Diary would like to make it very clear that we are only commenting on what has been reported in the media – we are using this situation in the context of a discussion of 'open source' intelligence methodology only!]

Mary O. McCarthy

Mary O. McCarthy was dismissed from the CIA in may because she "knowingly and wilfully shared classified intelligence". the *Wall Street Journal* has indicated that one of her media contacts was *Washington Post* reporter Dana Priest, who won a Pulitzer Prize for her reporting on the "secret" prisons that the CIA uses to house top-level al Qaeda detainees in eastern Europe. Mary McCarthy has denied that she has done anything wrong. (Constituent interpretations follow – readers can assess which 'prism' they are associated with.)

Pro-Bush

- "This would appear to be only the latest example of the unseemly symbiosis between elements of the press corps and a cabal of partisan bureaucrats at the CIA and elsewhere in the "intelligence community" who have been trying to undermine the Bush Presidency".
- "There is little doubt that the *Washington Post* story on alleged prisons in Europe has done enormous damage – to secure future cooperation in the war on terror from countries that don't want their assistance to be exposed."
- "Media reports indicate that Mary McCarthy played a prominent role in the Clinton national security apparatus and public records show she gave \$2,000 to John Kerry's Presidential campaign and even more to the Democratic Party".

Anti-Bush

- "Washington Post executive editor Leonard Downie has put himself on record as saying Ms. McCarthy should not come to harm for helping citizens hold their government accountable." (In contrast, is the Washington Post's interpretation of the Valerie Plame 'Outing Affair' which they describe as an "egregious abuse of the public trust".)
- "The Intelligence Community should be treated like the Federal Reserve and have independent political status."

- “The Bush administration is waging a vendetta against Langley’s upper echelons for their hostility to the administration and their embarrassing leaks to the press, especially before the 2004 elections”.

Mossad’s Recommendations

An excellent Opinion-Editorial appeared in the May 9th issue of the *Wall Street Journal* entitled “Kosher Cures For The CIA”. Efrain Halevy, Mossad chief from 1998 to 2002 and author of the memoir “Man in the Shadows” recounts the experience, not long into his tenure, when a Turkish newspaper claimed falsely that the Mossad had been involved in the capture of Abdullah Ocalan, the Kurdish leader of the terrorist PKK. The report, which put Israelis at risk of PKK reprisals, had to be discredited in a way that would be believed. Rather than issue a public denial, Mr. Halevy circulated a memo within the Mossad disavowing any link to the Ocalan operation. The memo then “leaked” achieving the desired impression.

[There is a strong lesson, both implicit and explicit, to be learned from this ‘anecdote’.]

Extraneous Information - Kyle “Dusty” Foggo

On May 8th the CIA confirmed that Kyle “Dusty” Foggo, its executive director and third ranking official was retiring. Mr. Foggo, a CIA veteran who hadn’t held a high-ranking position before, was Mr. Goss’s surprise selection in 2004 for the position, which involves running the day-to-day operations of the agency. It was reported over the previous weekend; Mr. Foggo is under federal criminal investigation in San Diego as part of the inquiry stemming from the bribery case against former congressman Randall “Duke” Cunningham. Mr. Foggo is a close friend of Brent Wilkes, who has been implicated as an unindicted co-conspirator in the Cunningham case, for allegedly paying about \$630,000 in bribes to the congressman. Federal prosecutors as well as the CIA’s inspector general’s office have been looking into whether Mr. Foggo abused his position to help Mr. Wilkes’s companies obtain CIA contracts. They are examining the evidence that Mr. Wilkes gave M. Foggo expensive gifts while in a position to influence the awarding of CIA contracts. Mr. Foggo has denied receiving gifts from Mr. Wilkes.

[This situation is ‘flagged’ for monitoring – it will no doubt lead to much more ‘open-source’ information as the case proceeds. ...An analyst may stumble, however, over some of the ‘nick names’!]

Extraneous Information - Domestic Surveillance

The 902nd Military Intelligence Group is part of the U.S. Army’s command structure at the Pentagon. It is the military’s largest counterintelligence unit and has hundreds of soldiers stationed around the country. The 902nd makes extensive use of the database called Joint Regional Information Exchange System, which gathers information collected by civilian law enforcement agencies throughout the U.S. The Pentagon and local authorities including the New York Police Department and California’s justice department established it in December 2002.

The goal was to give military personnel access to terror-related information on U.S. residents without violating any regulations on the military collecting domestic intelligence. The Pentagon uses data mining - the science of extracting patterns from large volumes of raw information – to connect the ‘dots’.

[This information was contained in a Wall Street Journal article entitled “Pentagon Steps Up Intelligence Efforts In U.S.”. The article was an excellent ‘open-source’ document identifying: (i) the Army’s deputy chief of staff for intelligence, (ii) the Counter Intelligence Field Activity group and its directorates, (iii) the Talon – Threat and Local Observation Notice program, (iv) the Defense Advanced Research Projects agency, (v) the Total Information Awareness program, (vi) the head of the 902nd’s analysis center, and (vii) the location of the 902nd’s headquarters. One old intelligence wag was heard to comment, “Our enemies don’t need to develop extensive HUMINT networks – they can get what they need by subscribing to the Wall Street Journal.”]

Open Source Methodology

The May 10th Diary entry stated, "The confirmation hearings are expected to be lengthy and offer a substantive amount of 'open-source' information. Please refer to the new FOLIO entitled "Open Source Intelligence – Model". It will be used as a 'collection folio' into which the salient 'open-source' material emanating from Hayden's nomination process will be placed and analyzed". Open source collection always intensifies when an event such as General Hayden's nomination takes place. In addition to the confirmation hearings there will be other information 'filtering' through the 'media prisms' - originating from sources who want a particular point of view, piece of information, or spin, placed in the public domain. These 'constituencies' usually use nationally prominent periodicals such as the Wall Street Journal, Washington Post, and New York Times as conduits. A careful monitoring of these 'mediums' usually provides the 'treasure trove'. The editors will monitor the Hayden nomination, accumulate salient data in the 'collection folio', and then judiciously enter the information in the permanent database.

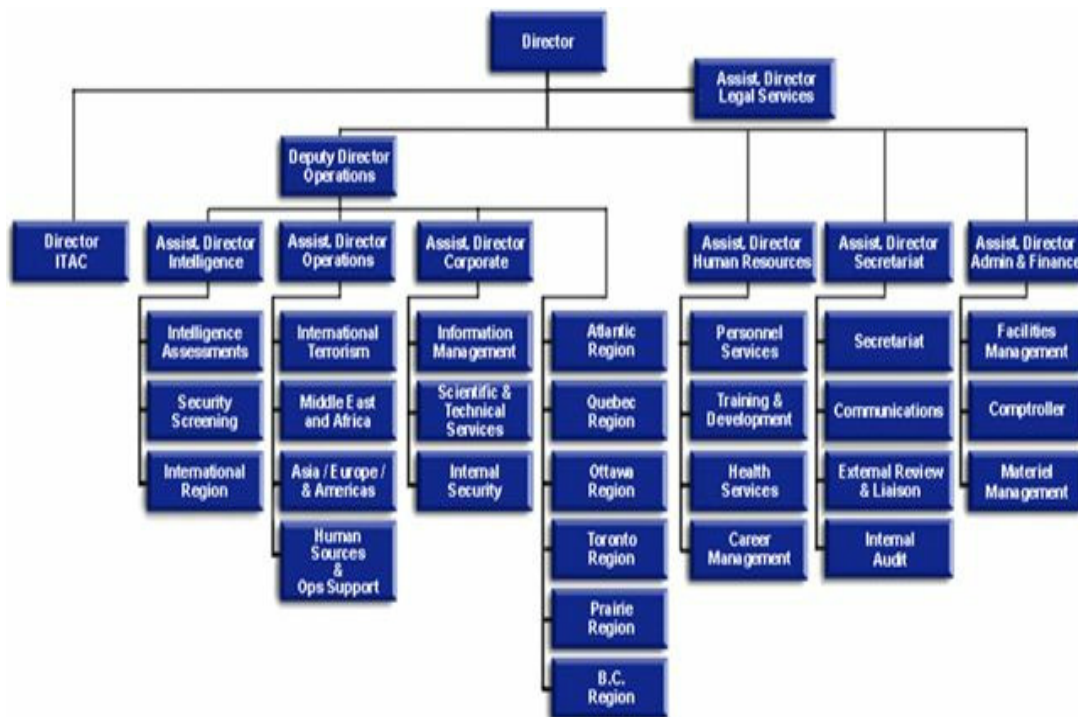
[The 'trick' of course "is in what you select".]

FOLIO - EDITORS' EMAIL EXCHANGE

[This section contains our readers' emails. Confidentiality will be maintained – names will never be mentioned unless requested and the emails will be permanently deleted after their inclusion. No record of sender will be maintained.]

Canadian Security Intelligence Service

[A reader forwarded this organization chart from the CSIS website to our attention with the comment, "there seems to be a little more information than before". Embarrassingly, the Editors have to admit that we have never previously accessed the website – it would be interesting to see what information was added and/or changed. However, we must compliment the spymasters at CSIS for keeping things 'succinct'.]



Death Camp Early Revelations

"Read with interest the comments relating to when Allied leadership had knowledge of the Nazi concentration camps. As I'm sure you are aware, statistical info related to numbers killed etc. was transmitted via the Enigma Cipher machines - this was read by the crypt analysts at Bletchley Park. High altitude recce flights were flown against IG Farben complex which was adjacent to Auschwitz. There was an Unclas CIA Imagery Report published on this as well. The bottom line is that Allied Intelligence had all source (HUMINT, SIGINT, and PHOTOINT ((as it was then known)) evidence of what was going on in the camps. The key questions are: when did Allied Intelligence become aware of the camps by source type and to whom was the information disseminated?"

[The last sentence raises important questions the answers to which may be very disturbing!]

Road Maps

"I was looking up an electronic map of the Province of Quebec. The highway leading up to the Hydro Quebec installations on the La Grande River by James Bay, which is a public road and presumably still is, is only shown part of the way and they have eliminated the towns by the dam sites up there. You used to be able to see it all? I started to notice such things in U.S. military locations some time ago. Air bases are showing up without the runways and tarmacs for example. However a look at Canadian Forces Base Trenton still reveals details."

[La Grande River - James Bay is one of Quebec's largest hydroelectric facilities - a disruption of this installation would effect the distribution of electricity not only to the Province of Quebec , but also to many regions in the U.S. North East! Are we reverting to 'Cold War' precautions where key routes for national security and military use were not included on maps available to the public?]

CONTEMPORARY WARFARE:

Appendix A

Afghanistan NetWar

The *Asia Times Online* of May 26, 2006 published an article by Syed Saleem Shahzad entitled "The battle spreads in Afghanistan." This piece discusses ideas of shared awareness and self synchronisation amongst insurgents in Afghanistan. Of particular note is the author's argument that this version of Network Enabled Operations or Network Centric Warfare is culturally based and self generated. Consequently, since it arises from cultural mores and values, as well as ideology, this form of NetWar will pose a formidable challenge to Afghan, Coalition, and NATO forces.

The commentary can be accessed at http://www.atimes.com/atimes/South_Asia/HE26Df01.html

Iraqi Perspectives Report

The US Joint Center for Operational Analysis (JCOA), a directorate of Joint Forces Command, has released the "Iraqi Perspectives Project: A View of Operation Iraqi Freedom from Saddam's Senior Leadership." The report is available online at <http://www.jfcom.mil/newslink/storyarchive/2006/ipp.pdf> and "examines military operations in Iraq, during Saddam Hussein's regime, from the point of view of Iraqi military and civilian leaders. It is the result of a two year study of documents, recordings, transcripts, and interviews with ex-leaders."

Training Indigenous Forces in Counterinsurgency

American military historian James Corum has recently published, through the Strategic Studies Institute at the US Army War College, a 71 page monograph entitled "Training Indigenous Forces in Counterinsurgency: A Tale of Two Insurgencies." The synopsis describes this publication as examining "the British experience in building and training indigenous police and military forces during the Malaya and Cyprus insurgencies. These two insurgencies provide a dramatic contrast to the issue of training local security forces. In Malaya, the British developed a very successful strategy for training the Malayan Police and army. In Cyprus, the British strategy for building and training local security forces generally was ineffective. The author argues that some important lessons can be drawn from these case studies that are directly applicable to current U.S. counterinsurgency doctrine." It is available from <http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?PubID=648>

Canadian Forces Professional Reading List

The Canadian Forces Professional Studies Reading List 2006 is currently available at http://www.cda.forces.gc.ca/CFLI/engraph/readinglist/index_e.asp It includes a myriad of up to date references on Leadership Theory and Doctrine, Professionalism, Ethics, Command, Psychology, Biography/Memoirs, Military History, the Future Security Environment and Warfare Theory. It is a military resource well worth reviewing.

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The battle spreads in Afghanistan

By Syed Saleem Shahzad

KARACHI - The bulk of the fighting in Afghanistan in the past week, which has claimed more than 300 lives among the Taliban, US-led forces, the Afghan National Army (ANA) and civilians, has taken place in the southern Pashtun heartland of the country.

However, the Taliban's spring offensive is fast turning into a massive resistance against the foreign presence all over Afghanistan, and already some influential characters are jockeying for a post-spring role.

And the indications are that the resistance could transcend a simple Taliban-led insurgency to evolve into a powerful Islamic movement.

Thousands of Taliban have emerged in the provinces of Helmand, Ghazni, Urgan, Kandahar, Kunar and Zabul, and in all of them



the story is the same: where allied forces have taken on the Taliban, the ANA holds the "fort". In places beyond the access of allied forces, the Taliban are in control.

In the less-populated Farah and Nimroze provinces, where the Taliban have a nominal presence, violent incidents against the ANA have begun. The same is true in western Herat province on the border with Iran.

Former acting Afghan premier Engineer Ahmad Shah Ahmadzai commented by telephone to Asia Times Online from Kabul,

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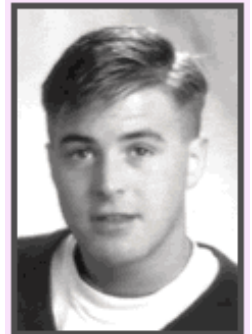
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"There are now sporadic incidents of violence in northern Afghanistan. We are hearing news that rockets are being fired on coalition forces in Maidan Shahr [east of Kabul], and there have been incidents of bomb blasts and violence in the north. As to who is behind this, different people have different opinions. Some allege the Taliban, some allege Hizb-i-Islami-led [Gulbuddin] Hekmatyar and some call them unknown groups."

With regard to the "unknown groups", Asia Times Online spoke to a man who knows Afghan society and most of its characters inside out, former Pakistani army general and director general of the Inter-Services Intelligence Hamid Gul. Gul has for many years been associated with the various groups of the Afghan resistance, since the days it fought against the Soviets in the 1980s.

"Firstly, when this sort of mass resistance starts, it means that it is a collective decision of Afghans. So you can see that though the Taliban resistance is centered in a very specific area, sporadic incidents have erupted all over. To me, the Taliban may be one group, the HIA [Hizb-i-Islami] of Gulbuddin is a second and [Moulvi Yunus] Khalis' HIA would be another.

"But there are tribes as well who would be digging in against allied forces in their specific areas. This is a specific Afghan style of rebellion in which parties fight throughout Afghanistan under their flag, but the tribes restrict themselves to their areas. All fight for the same cause, but under their own disciplines. All fighting factions develop a sort of understanding with each other," Gul said.

This kind of "netwar" is very much the case in southern Afghanistan. The Taliban are in action under their commanders and the overall field command of Jalaluddin Haqqani, while the HIA is fighting under its commanders and various tribes are coordinating with the resistance.

However, in northern Afghanistan the situation is different. The main players with influence in the north are very much known, although most of them are sitting idle in Kabul, including Engineer Bashir Khan Baghlani, at one time the closest of Hekmatyar's comrades.

Khan cooperated with the Taliban (on the instructions of Hekmatyar) after 1996 when the Taliban seized control of Kabul. As a result, the Taliban were able to take control of various northern Afghanistan areas up to Takhar.

However, the Taliban refused to give Khan an important portfolio and insisted that he live like an "ordinary private citizen". That condition was unacceptable to a commander of Khan's stature and he rebelled against the Taliban, for which he ended up in prison. After his release, he came to an arrangement with Ahmed Shah Masoud, the leader of the Northern Alliance that defied the Taliban in the far north of the country.

At the time of writing, Khan is still in Kabul, keeping a low profile. He is at peace with the allied forces, though he is considered loyal to Hekmatyar and he was prevented from contesting the last parliamentary elections.

Commented Gul: "I have known Bashir Khan Baghlani for ages. He is among those people who just cannot sit idle. This is a pure

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Afghan style of resistance in which one could be seen to be silent, but his aides, relatives and tribe would be active in the resistance. And when the resistance reaches a certain level, the main person goes back to his region to dig out his arms cache, which he would have stored a long time ago, and then joins hands with the resistance.

"This is just the tip of the iceberg you are watching; this situation will further escalate as the whole environment is now conducive to resistance," said Gul. "Russia is annoyed with the Americans, Iran is hostile to Western interests and Pakistan is no more in a position to adhere to American directives.

"The trade of raw opium [in Afghanistan] has reached US\$2.4 billion, and the trade of narco-drugs has reached up to \$4 billion. Where are the drugs going? Of course, they come from Afghanistan and go to Russia. Even if 10% of the trade is used for arms purchases, it serves the purpose of the resistance. And what else could Russia do to support the anti-US resistance but just turn a blind eye on the drug trade? And it is doing so," said Gul.

Gul also argued that Pakistan, although it had positioned 80,000 men along the Durand Line that separates Afghanistan and Pakistan, was not able to police the Taliban in Pakistani territory.

"The Americans cannot stop infiltration through the Mexican border - how can we stop it [with Afghanistan]? Especially as the Durand Line is just an imaginary border, not a physical border," said Gul.

Contacts in the Pakistani tribal areas of Bajaur and North Waziristan tell Asia Times Online that at least seven different tribal *jirgas* (councils) are meeting on a daily basis among the Afghan population.

And Miranshah Bazaar in North Waziristan is once again full of posters of Osama bin Laden and Hekmatyar, while slogans are written in support of the Taliban.

The *jirgas* are unanimous: there should be all-out war in Afghanistan.

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