Background. Watson joined the FBI in 1978 after serving in the US Army. He first worked general criminal matters in Alabama, and was transferred in 1985 to a counterintelligence unit in the Intelligence Division at FBI Headquarters. In 1988, he became a squad supervisor at the Washington Field Office. In 1991, he was made a Unit Chief of the Iran Unit in the Counterterrorism Section at FBI Headquarters, and in 1994 he became the Assistant Special Agent in Charge (ASAC) of the Kansas City Office, with responsibility for criminal matters. He was put in charge of investigating the Oklahoma City bombing when that occurred in 1995. Watson became the first FBI employee to serve as Deputy Chief of the CIA/Counterterrorism Center (CTC) in June 1996, and served in that position until January 1997 when he was made a Section Chief of the International Terrorism Section that had responsibility for the state sponsor of terrorism countries. He then was selected as SAC, Albuquerque, but never actually served there as he was immediately selected to be the Deputy Assistant Director (DAD) of the Counterterrorism (Division?) at FBI HQ in July 1998. In November 1999 he became the AD of the CT Division, and in December 2001 became the Executive Assistant Director of CT and CI.

FBI Successes. Watson asserted that what the FBI was trying to do in the CT area during his tenure has been "jumbled." The FBI was not "asleep at the switch" as some have alleged. He said he is most proud of the dedication and hard work of the FBI personnel at HQ and the field - they couldn't have worked any harder. He is also proud of the fact that the FBI consciously tried to move out of the reactive mode and into a more preventive mode during his tenure (this was the MAXCAP 05 initiative Watson started). He described bank robberies as reactive cases that were "pretty simple" to solve. They...
were crimes perpetrated by "8th grade dropouts" and "drug dealers." He described counterterrorism cases, in contrast, as hard cases. Agents had to determine where the terrorists would attack next, recruit sources, etc. Watson said he was proud of the Oklahoma City bombing investigation throughout which people worked 20 hour days. Watson said that Nichols never had foreign terrorist contacts in the Philippines. He’d married a 16 year old Filipino girl but it didn’t work out, and that was the extent of his connection to the Philippines. Watson also mentioned the Khobar Towers bombing, perpetrated by Saudi Hizballah, supported by Lebanese Hizballah and funded by Iran. Watson said he wasn’t convinced that the US Government wanted to solve the case, “it was hard on the foreign policy issue.” Watson said he “was trained to go where the evidence leads” and never saw any connection between Saudi Hizballah and Al-Qaeda. He didn’t see any connection between the two groups in the OPM/SANG case either, and suggested we read the indictment for that case. He also mentioned terrorist renditions, and the prevention of the murder of a US citizen in Beirut, Lebanon, as other FBI successes in the CT area.

The Political Will of US Government to Fight Terrorism. Watson described the Khobar Towers bombing, which resulted in the deaths of 19 servicemen with two more days on tour, as “tragic.” He thinks Director Freeh was told by the White House to investigate and solve the case because the US Government wanted the case to be like a bank robbery in a small town, when it was actually a national security incident. He said the difficulty was that the US Government didn’t know what it wanted to do about Iran in this case. He imagined that the Administration thought it would get the FBI to investigate, the FBI wouldn’t be able to solve the case, and they’d have some breathing room. He said that the Saudis were afraid to refer suspects to the FBI because it would make their relationships in the region more difficult. They wanted to know what the US Government would do with the information they provided, and the US Government said we can’t tell you that until we know who did it. At the same time, the US Government was trying to “make nice” with Iran regarding “rugs and pistachio nuts” (the implication being US Government attempts at improving trade relations with Iran). In short, the Administration wasn’t happy with the FBI when it came to brief them on the results of the investigation. The information on the investigation was very closely held because they didn’t want leaks. The only downside to this was that no one really understood what was going on in Khobar. In reality what happened was both a crime and a national security issue. Watson recalled then-Senator Bob Kerrey stating this fact clearly when he told the FBI they’d done a great job and should be proud, but really this wasn’t the FBI’s problem – it was an act of war and should be handled by the Administration and the Department of Defense.

Commissioner Ben-Veniste asked why the Saudi Government was afraid. Watson explained that the Saudis were afraid that if they let the United States interview all of the suspects, the facts would show that Iran was behind it and they were not sure what the US response would be. They thought the US Government might attack Iran and the Saudis would be blamed for that. This was mostly a US Government problem and a Saudi problem. Saudi Ambassador to the US, Prince Bandar, told the FBI early on that the
issue was relationships. He compared the situation to one in which you take a woman our and ask to kiss her without taking her to the dance. The US Government had to provide some assurances as to what the US Government response would be. Commissioner Ben-Veniste asked if there was a memorandum that contained Prince Bandar's advice on the Khobar situation. Watson said he was not sure but knew that Director Freeh briefed the NSC about it - the FBI was not holding back, in other words.

Watson believes that the US Government was saying it was tough on terrorism, but in the Khobar Towers case they weren't sure how to handle Iran's involvement, there were only 19 dead, and it happened overseas. The political will of the Administration and the American people to do more than simply investigate wasn't there.

Philip Zelikow asked if the FBI got what it needed from the Saudis. Watson said that the Saudis produced what the FBI asked for, maybe not in the FBI's timeframe, but they did produce. Watson said he was told there were discussions about this topic and that the Saudis got some kind of assurances, but he seemed to be unconvinced that in fact they did. In the end the US Government issued an indictment naming Iran and this in and of itself was a "big deal," but the US Government took no retaliatory action. Watson said that he didn't want to discuss this topic much further because he was not comfortable talking about policy discussions in which he didn't take part. When pressed, he stated that the indictment took six years to be issued, and he thinks the Saudis cooperated because they assumed the United States wouldn't take any action. He brought up our response to the East Africa bombings as being, in his view, no response, and described our response to the US Cole bombing as "nothing, absolutely nothing." He said that Usama Bin Ladin was "taking notes" on this. From 1996 on the terrorist training camps in Afghanistan were graduating people and we didn't know where they were going - we allowed the camps to stay in operation, Watson said he had a lot of interaction during his tenure with DOD personnel and they were very good people, which made this situation even more frustrating.

Watson said the Commission shouldn't point the finger for 9/11 at a GS-13 who didn't take action on the Phoenix EC, because it all comes back to this underlying lack of political will. He suggested we read an Op Ed that former Director Freeh wrote for the New York Times on this topic.

FBI View of the Terrorist Threat Inside the United States. For people to say that the FBI never briefed the fact that the US could be attacked at home is unfair. They were briefed. There were smart people "on the Hill" and they could see just from the newspapers that we "were going from bad to worse." Watson stated that he was "trying to take the high road" and not be too critical.

Commissioner Ben-Veniste wondered if there was documentation of the briefings on such briefings on the domestic threat. Watson said that in July 2001 he addressed a national US Government conference and stated that the US would be attacked domestically within the next five years and overseas at least once per year. This was
clear to Watson and to the people working CT; this was “not rocket science.” He opined that because he had said this publicly, he’s sure he was saying it on Capitol Hill, but there was no “traction” or demonstration of “political will” in response to this message.

When asked how he was trying to work the problem on the positive side, Watson cited his classified September 2002 (232 page) testimony before the Joint Inquiry committees (actually a deposition) that he said he’d re-read the previous night. He said that “proactive” was not a buzzword invented after 9/11. Watson asserted that in his view “the light came on” in 1998 after the East Africa bombings that cultural change had to occur within the FBI. His JI testimony laid out his thinking on this topic. His basic premise was that no amount of resources could prevent all acts of terrorism, so you had two options: 1) Throw up your hands and keep being reactive, or 2) Improve your capacity to prevent terrorism. He wanted to make sure that if something bad happened they could say they’d done everything they could. Watson said that this effort was “the hardest thing” he’d ever had to do in his life, but it was a business proposition. The FBI had to juggle resources, they couldn’t shift all resources to CT. He said this was so difficult in part because “good people resist change,” and they (FBI employees) are good people.

FBI CT Strategy. Commissioner Ben-Veniste said that since Watson was attempting cultural change at the FBI between 1998 and 2001, there must be documents that reflect these efforts. Watson referred to his “MAXCAP 05” strategy, and said “you don’t have a national program without accountability.” He said that MAXCAP was meant to provide the accountability piece for CT at the field level. He said that there was a report on this initiative, and every six months the Director received an update. Watson acknowledged that the SACs needed to set their own priorities to some extent, but stated that most of them had worked only criminal matters and “had no clue” what a CT or CI case was, and he tried to change this. He told them this was not a program they could afford to ignore, that the Director would get reports on their progress, and that they would be inspected on their progress. In other words, the SACs’ performance appraisals would be affected by their progress in the CT area. He added that the Inspections Division used criteria Watson had come up with to evaluate SAC performance in the CT area. He said that FBI personnel in the Field said this was what they’d been waiting for and wondered why FBI HQ hadn’t done this earlier.

In May 1998, then-Deputy Director Bryant went to a tiered system setting forth national priorities for the FBI: 1) National Security, 2) Organized Crime, and 3) Property Crimes. Many thought that the FBI should give the drug area to DEA, and Director Freeh almost was convinced, but others in the building (i.e., Headquarters) “couldn’t do it.” It was a cultural thing.

FBI CT Resources. Commissioner Ben-Veniste asked where we could find Watson’s memos requesting additional resources in the CT area. Watson suggested that we speak with the FBI’s budget personnel because Watson was not a “budget guy.” He never really understood how the budget was formulated, and there seemed to be no accountability attached to the requests. For example, what are the consequences if the...
Watson described a personal conversation he'd had with AG Reno after the East Africa bombings in which she asked what color the truck carrying the bomb was. Watson asked why she was asking him this question, and explained that getting her an answer would take him away from working larger issues. AG Reno said that she needed to know in case the President asked her. Watson stated that "case information is power in this town," and this fact diverted him from what he really had to do. He said that only Dick Clark asked him what his strategy was for CT. No one else asked him this question. Watson said that Reno was not exclusively case-driven, however. By way of explanation, he mentioned a January 2001 conference of SACs and CT supervisors in Tampa, Florida, attended by 250 FBI employees. Watson told them of this new approach to CT and that they would be evaluated on how well they were implementing it. AG Reno attended along with Dick Clarke and was a supporter on this. So Reno was focused on CT but had other issues she cared about as well, including prosecution of "deadbeat dads" and crimes on Indian reservations. When asked if Reno was in fact out in front of Freeh in certain areas, like information technology, and pushing him to move ahead, Watson said he would not characterize it that way. For example, Director Freeh was always aware they had information technology problems and was trying to fix it. The IT area was mismanaged, but the FBI recognized this and started a pilot program in St. Louis. You cannot ascribe all of the FBI's problems to its IT situation because there were other factors involved.

FBI-DOJ Relationship on CT and Case-Driven Approach to CT. Watson stated that there are very smart and good people at DOJ. In his opinion, the bad press that AG Reno received was undeserved. She always tried to do the right thing although he didn't always agree with her on her CT decisions. He said that both Fran Townsend and Jim Reynolds were "good people." DOJ personnel always wanted to talk about specific cases and "it wasn't about that - it was about prevention." He recommended we review Ron Lee's CT study. He said that the FBI/DOJ approach to CT was case-driven, geared toward rendering and prosecuting. He added that change is a natural progression. GE, for example, doesn't sell toasters anymore or they'd go out of business.

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FBI cannot expand the Legal Attache (LEGAT) Offices? Watson himself color coded his budget requests to indicate his priorities. His strategy was to ask for 250 agents when he really needed 100, for example, because he knew the FBI's request was always cut by the Office of Management and Budget (OMB). The said that the process is "prostituted from the beginning." He suggested again that we review his testimony to the Joint Inquiry where he set forth what he asked for and what he actually received for FY 2000 and FY 2001, and said we should determine what DOJ and OMB put forward as part of the budget process. He added that the Clinton Administration really didn't want to address this issue the way it should have been addressed, and the FBI worked extremely hard under those conditions. He thinks there is a big learning curve for anyone coming to the National Security Council - they might think CT is smoke and mirrors. He said he was told by the FBI and DOJ (before his JI deposition?) not to talk about "the middle piece" of the budget request process, just what he requested and what he received. His understanding is that the numbers he mentioned are what the FBI Director approved, so any reductions were made by DOJ, OMB or Congress.
Watson said he does not recall the September 10, 2001 memo from AG Ashcroft to Director Mueller cutting the CT budget, but he thinks Ashcroft and his folks came in with preconceived notions about crime priorities in the United States. These were not the priorities of the FBI (is this where he said he fell off his chair at Ashcroft’s May 01 priorities?). He acknowledged that there is a huge learning curve in the national security area and he thinks they “would have gotten there” (the implication was that they would have done so without 9/11).

**Hazmi and Midhar.** Watson said he felt starting in 1998 that he was “in a gun fight with a knife” or trying to fight Mike Tyson. 9/11 was going to happen; even if the FBI had “rolled up” Hazmi and Midhar, two others would have taken their place. He added that he thought the Phoenix EC and the Moussaoui case “wouldn’t get you to 9/11.”

Commissioner Ben-Veniste posited that since we’ve heard Al-Qaeda is sensitive to disruption, if Hazmi and Midhar had been taken out of circulation perhaps the attacks might not have gone forward on 9/11. Watson said he doesn’t think this is an accurate depiction of Al-Qaeda, because Al-Qaeda ultimately carried out the attack on the USS Cole even though their operation failed the first time. He acknowledged that in that case no one had been arrested, however. He said that the capture of Hazmi and Midhar might have delayed 9/11, but wouldn’t have stopped the planning for an attack inside the United States.

Watson said he’s not sure exactly when the CIA information regarding Hazmi and Midhar was transmitted to the FBI, but emphasized that he never thought that the CIA intentionally withheld this information. Probably it was shared by August 2001, and may have been discussed at a level where individuals weren’t sure exactly how to act on it. Watson said he wishes he’d known the information earlier. He advised that we should direct any specific question we had on this topic to then CT Division Unit Chief (?) Debbie Stafford and then Deputy Assistant Director of the CT Division, Mike Rolince.
Watson later stated that the FBI HQ Unit responsible for covering the terrorist group with which the individual in question was affiliated would go to the State Department for additional information, and would then decide who would go overseas to get the foreign intelligence information on this individual. If the FBI had clear and articulable facts that supported the opening of a preliminary investigation (PI) it would do so, which would allow the conduct of several checks. A PI does not allow FISA coverage, so the FBI cannot get toll records or financial data under a PI. Watson thinks that the recent changes to the AG Guidelines create a different situation, however.

The FBI can open a full investigation on a subject if a credible source provides information on the subject. The FBI opened a full investigation on Midhar, for example, because his was among the photos of individuals linked to the USS Cole bombing. When asked if the full investigation of Midhar could have been initiated as part of the Cole criminal investigation, he said it could have but he was not involved in that decision. He doesn’t think this would necessarily have made a difference in finding Midhar, however.

Threat Reporting in the Summer of 2001. Watson said that he was involved in a lot of discussions during this time period on where we were most vulnerable. Most thought US interests would be attacked overseas. He said he had numerous discussions about possible attacks with DAD Mike Rolince and Cofer Black, then head of the CIA/CTC. They were so certain that an attack might come on July 4th, that when the date came and went without an attack, they thought perhaps terrorists had called off or delayed it. Watson said he could “feel” that something was going to happen (he became emotional as he said this). He said that the FBI often saw a spike in terrorist communication prior to an attack and a dip in communication afterwards. They saw both during this time period without an incident occurring and wondered what was going on.

With regard to the issuance of threat advisories, Watson stated that there was no way of keeping these from leaking to the press, so the FBI wouldn’t have sent out specific information regarding an imminent attack if they had it. Instead, the FBI would have investigated and acted to prevent the attack. He described the threat information during the time period as “nebulous” and not specific. Watson asserted that if the US Government had closed embassies for three days as a result of threat reporting, terrorists would simply wait until they were open to conduct their attack. He added that he thinks unclassified pronouncements on the color-coded threat level mean nothing (I think there may have been more to this statement ...).
Watson said that the FBI held meetings with US aviation officials that Watson did not attend. He did not attend Dick Clarke's aviation briefings during this time period, but Rolince and other FBI CT officials attended and told Watson of the increased threat. He said the Coordinating Subgroup (CSG) on CT, a working group comprised of officials from the FBI, DOD, DOJ, State, CIA and Dick Clarke would draw in the Federal Aviation Administration (FAA) if there was an aviation issue. The National Transportation Safety Board (NTSB) was also drawn in on aviation disasters, etc.

Watson said he wishes he'd had 500 analysts looking at Usama Bin Ladin threat information instead of two. He wishes someone had knocked out the training camps in Afghanistan. He wishes he'd seen the Phoenix EC and the Moussaoui information. He wishes he'd known more about the Saudis in the United States at the time. He wishes the FBI had had the IT system it needed to get information from state and local law enforcement (i.e., Hazmi and/or Midhar traffic tickets). In short, the FBI didn't do everything right.

Successful Preventions. Commissioner Gorton asked how many attacks the FBI had succeeded in preventing over time. Domestically, Watson mentioned an investigation involving a propane tank in Sacramento which took place before 9/11, and a Florida power line conspiracy that occurred closer to 9/11. He also mentioned the Ressam case (and a subway case?). He said there were no preventions between 9/11 and the time he left the FBI (August 2002). He said he has a "different view" of the Lackawanna 6 case. Watson said that one cannot quantify the resources necessary for a successful prevention. If the FBI increases its capacity, who knows how many attacks it could prevent. Trying to quantify it is the wrong way to look at it.

FBI-INS Relationship. Watson said that he saw INS as an "ally" pre-9/11, and the "portal" to INS operations personnel was DAD Mike Rolince.
Follow-up Interview. Watson agreed to be interviewed again by the Commission, and was told that the following topics were illustrative of those we’d like to cover with him: 1) KSM, 2) Qatar, 3) FBI cooperation on CT issues with Saudi Arabia and other countries, 4) terrorist financing, 5) earlier FBI reform efforts such as the Investigative Services Division and related analysis issues, 6) the millennium threat period, and 7) warning issues.
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