

Executive Registry
83-1343

att: OEXA - 0046-83

REMARKS OF WILLIAM J. CASEY
DIRECTOR OF CENTRAL INTELLIGENCE
before
THE AMERICAN BUSINESS CONFERENCE

Wednesday, 9 March 1983
8:00 a.m.

The Four Seasons Hotel
Washington, D.C.

5/18/83

B-364 P-306

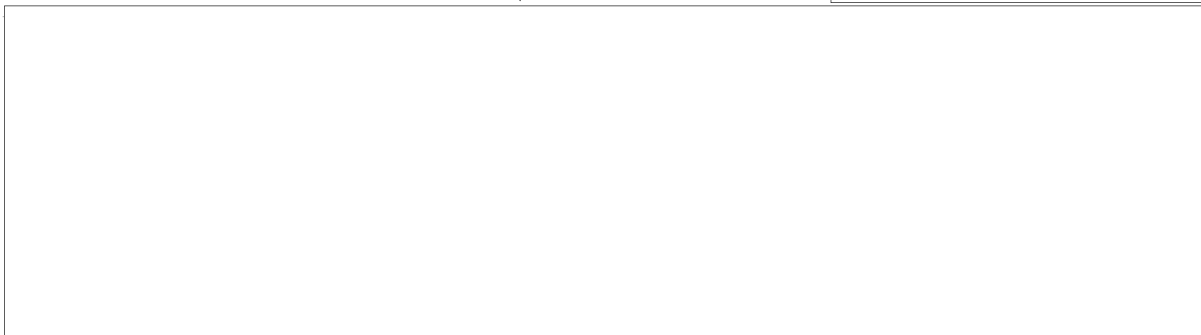
Introduction

Good morning. I am very happy to be meeting with you today. We in the Intelligence Community favor these dialogues with the business community for while there are those who believe intelligence operates in its own world, actually our efforts and yours are mutually reinforcing. Whether you are Director of Central Intelligence or a Chief Executive Officer of a corporation, particularly one with international operations, accurate assessments of political and economic trends are essential to protecting and promoting national or corporate interests.

CIA regularly receives valuable help from patriotic individuals in private industry, research and academic institutions who volunteer their knowledge on foreign political, military, or economic matters.

25X1

25X1



I would like to open our discussions today with some remarks on two issues of growing importance to intelligence, which also significantly affect U.S. businesses--Soviet illegal acquisition of our technology and international terrorism. I would also like to briefly bring you up-to-date on some of the changes underway in intelligence as we rebuild our resources.

Technology Transfer

It was Lenin who first said, "The capitalists will sell us the rope we need to hang them." His remarks ring true today. Only about a year ago were we able to establish the degree to which the accuracy, the precision, and the power of Soviet weapons, which we are now required to counter with budget-busting appropriations, are based on our own R&D and Western technology in general.

Soviet troops were carried into Afghanistan by trucks constructed at the Kama Truck Plant which is outfitted with \$1.5 billion of modern American and European automotive production machinery. The newest Soviet ICBMs contain precision components, gyros and accelerometers, manufactured with U.S. equipment.

The Soviet economy is plagued by inefficiencies caused by overcentralization, lack of creativity, alcoholism, and low morale. To sustain their massive military build-up, the Soviet Union turns to our businesses for proven, state-of-the-art technology.

Soviet defense plants routinely use Western R&D approaches, and our blueprints to shorten weapon leadtimes, and even to develop countermeasures before we develop the weapons to which the countermeasures apply. They satisfy about 30 percent of their technology requirements by legal, open means; but for about 70 percent they turn to their intelligence services. Former KGB officers have told us that clandestine acquisition of Western technology is the highest collection priority for the KGB and its military counterpart the GRU.

How is this done? Well for some 15 years Soviet intelligence organizations have recruited hundreds of young scientific and technically trained people to target and acquire shopping lists. They hide behind dummy trading companies or sometimes they engage bona fide European firms as middlemen to obscure the ultimate destination of restricted equipment. They may deal with European subsidiaries of U.S. companies believing security

controls may be more relaxed. There are more than 30 Communist country owned-U.S. chartered firms in the U.S.; in Western Europe, however, there are more than 300. A common technique is to use East Europeans--Poles, Hungarians, and, in one case, a Belgian--as front men.

A hostile intelligence officer may even misrepresent himself as a citizen of a country friendly to the United States and a targeted American may be duped into handing over sensitive information believing he is aiding an ally. Foreign intelligence officers exploit traditional American beliefs, such as freedom of speech or the conviction that scientific advancements should be allowed to benefit all mankind, in an attempt to elicit information. In the interests of scholarship and science, an American is encouraged to exchange results of his research with a "colleague" of the international community of scientists. And, of course, hostile intelligence operatives capitalize on human weaknesses, such as greed. Appealing to an American's material needs is perhaps the most common and effective technique.

Soviet acquisition efforts are increasing. Although no business is risk free, small companies involved with

rapidly developing technologies are particularly vulnerable since they may believe their work, more theoretical and undefined, is of little concern to our adversaries.

We, in the Intelligence Community, are redoubling our efforts to learn as accurately as possible what items are on the Soviets' shopping list. In CIA, we have established a new analytical center, the Technology Transfer Assessment Center to facilitate political, economic, and military analysis. We then pass our intelligence to the Justice Department, the FBI, Commerce, and other government components responsible for domestic law enforcement.

In the policy arena, the government is also taking such measures as strengthening COCOM--the Coordinating Committee for Multilateral Export Control--and tightening restrictions on activities of Soviet and East European nationals in the United States. But the real defense barriers, the front lines, are in businesses' shops, offices, and laboratories.

International Terrorism

Last spring, while both U.S. and European news broadcasts focused on the daily meetings of the Versailles Economic Summit, bombs in Paris ripped apart the offices of the American Express, the Bank of America, and the American

School of Paris. These incidents and an increasing number of others demonstrate that international terrorism not only disrupts the functioning of the international system but also directly threatens U.S. economic interests abroad. The pervasive threat of terrorism has affected the conduct of diplomacy, travel and commerce.

If cleverly exploited, terrorism can gain relatively impotent, subnational groups international attention and, perhaps, strategic leverage. The cumulative impact of Palestinian terrorist acts in the 1970s was to keep Palestinian interest at the forefront of the world community.

U.S. citizens are the primary targets of terrorists followed by those of the UK, USSR, France, Israel, Turkey and Iraq. Almost 200 Americans have been killed by such attacks. While about one-half of these were victims of indiscriminate acts, the number of Americans purposely singled out for assassination has steadily increased. Although diplomats are the frequent victims, American businesses remain the next likeliest mark.

Since 1968, we have recorded 719 bombings, 63 kidnappings, 29 assassination attempts, and 23 armed attacks directed against U.S. business interests. Bombings are the

most common type of attack because explosives are relatively easy to obtain but hard to trace. Bombings also normally involve little personal risk to the perpetrators.

In 1982, over a hundred attacks were carried out against U.S. businesses; 30 businessmen were wounded--luckily none were killed--and fifty-six percent of the recorded attacks resulted in significant damage to property. Over the years, U.S. companies that have been the target of terrorists run the gamut from well-known giants of world business to small, privately-owned, companies. Frequent victims are companies such as Coca-Cola, Ford, Chrysler, Colgate-Palmolive, and Sears which are symbolic of the "American way of life." Oil firms and large financial enterprises can also be attacked for symbolic as well as practical reasons.

Terrorists often attack or threaten companies for financial gain. Extortion payments for a kidnapped executive can be millions of dollars. Terrorists then use this money to buy arms, transport, and expand their operations. It is estimated that U.S. firms paid about \$125 million in ransoms over the past ten years.

About a hundred terrorist groups have claimed credit for attacks on U.S. businesses over the last fourteen

years. Although Latin America is still considered a high-risk area due to the number and frequency of hostage takings and assassinations, last year the highest number of attacks occurred in West Germany, followed by Italy and Greece.

Help is Available

Help is available to U.S. businesses. The CIA has a center devoted to tracking terrorist groups. We have strengthened our ability to collect and analyze intelligence on terrorism and we have taken steps to improve the exchange of information with our friends and allies. American embassies and consulates will advise any American citizen or business representative on terrorist threats in any foreign country and can also provide security suggestions. The State Department, with whom we work closely, has an Office for Combatting Terrorism in operation 24 hours a day to coordinate the U.S. government responses to any terrorist incident.

National Security Concerns

The challenges which the United States and we in intelligence face are, of course, much more varied than Soviet illegal acquisition of our technology and international terrorism. These challenges are many, of broad variety, and

worldwide: they include such problems as present serious West European-U.S. frictions, a very troubled international financial scene, and the Third World's countless vulnerabilities and volatile situations.

But the challenges to which we in intelligence have to devote most of our resources arise primarily from the growing military capabilities and political aggressiveness of the USSR. The Soviet military buildup continues relentlessly and is sustained by a growing defense industry. The USSR's military-industrial base includes several hundred major R&D facilities and final assembly plants as well as thousands of defense-related R&D, component or support facilities. Moreover, floor space at weapon production facilities is expanding more rapidly than at any time since the mid 1960s.

The threat from the Soviet Union is, however, much broader than the direct military threat. The Soviets view the East-West relationship as a total, all-encompassing struggle involving economic, social, and ideological factors which they call "the correlation of forces."

For discussion sake, we can divide this sweeping challenge to our national interests into five major threats. The first of these are the USSR's intercontinental missiles.

which can shower destruction on our country in 30 minutes and other strategic systems on which, together, the Soviets have been spending far more than we have.

The second is their conventional forces. The Soviets already have three times as many men in their land forces as we have, four times as many tanks, four times as much artillery, and three times as many armed personnel carriers.

The third threat comes from the Soviets' ability to project their military power over long distances to support actual and potential pro-Soviet factions in troubled countries. We have seen them use their transport planes and cargo ships to carry sophisticated weapons thousands of miles to meet up with Cuban troops in Angola and Ethiopia. In the Christmas season of 1979, we also saw them send their own combat units into Afghanistan.

Currently the Soviets are boldly stationing long range SA-5s in Syria. These weapons with a range of 150 miles, enough to threaten reconnaissance and transport planes over Lebanon and Israel, are being installed at two locations in Syria. Soviets in some numbers are at the construction sites. It will require experienced Soviets to operate these sites, and should the Soviets choose to train Syrians, this

would take many months. The Soviet SA-5 move suggests a more assertive policy in the Near East.

The fourth threat comes from what I call the Soviets' creeping imperialism. The Soviets have successfully constructed an array of associates of varying kinds to front for the USSR and do some of its dirty work in the world. The USSR and its associates use a mix of tactics-- political, diplomatic, subversion, terrorism, and insurgency--to expand their influence and to destabilize governments. Cuban support of subversion and insurgency now occurring in Central America could help divide our own hemisphere, and threaten the rich Mexican oil fields and control of the canal passage in Panama. Cuba now maintains a firm base of operations on the Caribbean island of Grenada-- with an airfield, training site, intelligence center, and propaganda facilities there--and a similar process has begun in Suriname, the former Dutch Guiana.

There is an ever expanding partnership between Cuba and Nicaragua in exploiting subversion in Central America and the Caribbean region. Deliveries of Soviet bloc weaponry to Nicaragua and of Soviet military equipment to Cuba continued at a high level in 1982. From headquarters in Nicaragua, Cuban and Nicaraguan officers command and

control guerrilla units widely spread throughout El Salvador. Cuba and Nicaragua also back subversion and revolutionary violence in Costa Rica and Honduras. All this requires us to worry that the Castroization of Central America would bring the same kind of capability to subvert, destabilize, and promote insurgency to the borders of an already distressed Mexico.

Cuban troops fortify the regimes in Ethiopia, Angola, and South Yemen. Libya is supporting insurgents in many African countries, colluding with Ethiopia to support an insurgency in Sudan and Somalia and meddling again with dissidents in Chad. Soviet equipped Polisario fighters are still fighting Morocco over the Western Sahara. Also, the Soviets show no sign of being prepared to see their influence diminished in Angola, where Cuban troops are still stationed.

The fifth threat is the combined Soviet diplomatic, political, and propaganda initiatives designed to confuse and divide our friends from us. The principal such effort is the current Soviet campaign to exploit the universal fear of nuclear weapons and the political risk which European governments perceive in the deployment of Pershings and guided missiles in NATO countries. The Soviets and their associates are appealing over the heads of governments to

the electorates, playing on the fear among many Europeans that rejecting the Soviet position that no U.S. missiles can be deployed will make nuclear war more likely.

The Soviets meanwhile gain influence with certain Third World countries not only through arms sales but also by developing and intensifying conflict between such social and other groups as the rich and poor, the black and the white, and the Arabs and the Jews. The Soviets also use international broadcasting resources heavily.

In sum, the United States faces numerous and complex threats in the world, but at the same time we have a lot of things going for us. The Soviets do face constraints such as declining economic growth. Soviet agriculture has suffered four successive crop failures, and there is a growing sense of malaise over the quality of life. Soviet society suffers from declining health. It is the only industrialized nation where the life expectancy for men is actually declining. Corruption and alcohol addiction are rampant. The Soviet government does not seem to know how to deal with these problems, beyond trying to improve discipline through strong-arm tactics. At best, we believe that real Soviet GNP growth will average less than 2 percent in the 1980s.

Moreover, Moscow faces an aroused United States. Soviet forces are bogged down in Afghanistan, and East European states such as Poland and Rumania are experiencing severe economic and political trouble. Other client states are an economic drain, the Kremlin has made little progress with Japan in East Asia, and the USSR faces a huge, armed and nationalistic China along its borders.

We in intelligence will continue doing our best to keep alert to these dangers and opportunities. I would accordingly like to turn now to the changes underway in intelligence today as we rebuild.

Progress in Intelligence

During the 1970s our intelligence gathering capabilities were drained substantially with a 40 percent cut in funds and a 50 percent slash in personnel; and we have been very busy for the past two years rebuilding these resources.

More analysts are being hired to address areas of new interest--the Third World, nuclear proliferation, international terrorism, insurgency, instability, and global resources. We are also taking advantage of the expertise of outside scholars and researchers. We recognize that our own

people have no monopoly on the truth. More and more, we reach into the think tanks, the colleges and universities, and the business community for different perceptions and new approaches.

The drawdowns in funding and personnel in the 70s showed up most vividly in the national estimates, our primary Intelligence Community product to the President, which dwindled from an annual average of 50 in the late 60s, to 33 in the early 70s, and even further down to a yearly average of 12 from 1975 through 1980. This has been restored as it has to be to cover the ever growing threats and challenges to which policymakers must address themselves. During 1981 we did 38 national estimates and we finished more than 60 last year.

Even more importantly, we have started a new fast track system that has drastically reduced the amount of time necessary to place an estimate on the President's desk. We have also taken steps to assure the integrity and objectivity of our analysis. The chiefs of the various components of the Intelligence Community sit on the National Foreign Intelligence Board and function as a Board of Estimates. Each chief at the table must see that the judgments of his organization are clearly spelled out in the estimate. This way instead

of giving the policymaker some compromised conclusions, the estimate fully reflects all viewpoints within the Community. The practice has reduced the time necessary to coordinate an estimate and has helped to develop a new spirit of constructive collaboration in the Intelligence Community.

Recently we finished an extensive review of the intelligence challenges ahead, as well as the adequacy of our current collection and analytical capabilities. The challenges and demands keep multiplying. We believe, however, that with our recent reforms, additional analysts, and new technical collection methods, we are moving in the right direction.

FOIA

One final thought, we sometimes have a propensity in this country to shoot ourselves in the foot. It is ridiculous for us to be the only country in the world which because of the Freedom of Information Act gives anyone license to poke into our intelligence files. The press gets annoyed whenever I talk about poking into files but that is what it amounts to. We are not calling for total repeal of the Act, nor are we asking for exemption from the Privacy Act which gives all Americans the right to get information about themselves. But we should not

be compelled to search thousands of documents, at great expense and loss of time, for materials that we know in advance are not releasable. The law creates a perception which prevails around the world, with other intelligence services or people who want to help us, that we cannot assure them confidentiality.

Let me give an example of the absurd situations we face. The Iranian regime--the same government that held our people hostage--has recently filed an FOIA request for all information in CIA on the late Shah. This is a perfectly legal request and we have to take it seriously and respond. We need to reform the law. As Justice Goldberg once said, "While the Constitution protects against invasion of individual rights, it is not a suicide pact."

Thank you for asking me to meet with you today. I am looking forward to our discussions and your thoughts on our efforts.