

8 March 1988

MEMORANDUM FOR: Acting Director of Central Intelligence

SUBJECT: Meeting with the President's Foreign Intelligence Advisory Board (PFIAB)  
Wednesday, 9 March 1988 - 0830 hours  
Room 340 OEOB

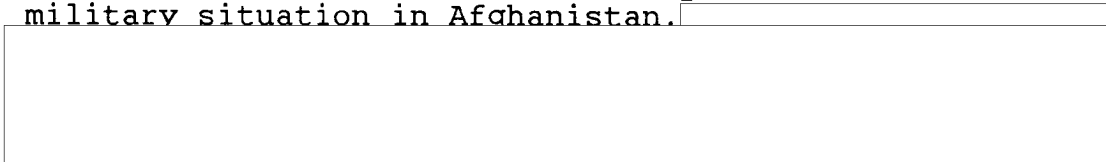
The attached package provides you background information and talking points on a variety of issues that you will be discussing at your PFIAB appearance. Most of the subjects in the package have been suggested by the PFIAB staff as issues in which the members are interested.

TAB A Agenda. At TAB A is a memo providing the agenda for your appearance. Also attached is a listing of CIA support to PFIAB for the period 7 January - 6 March 1988.

TAB B Current Developments in the Soviet Leadership. At TAB B are talking points on the current developments in the Soviet leadership.

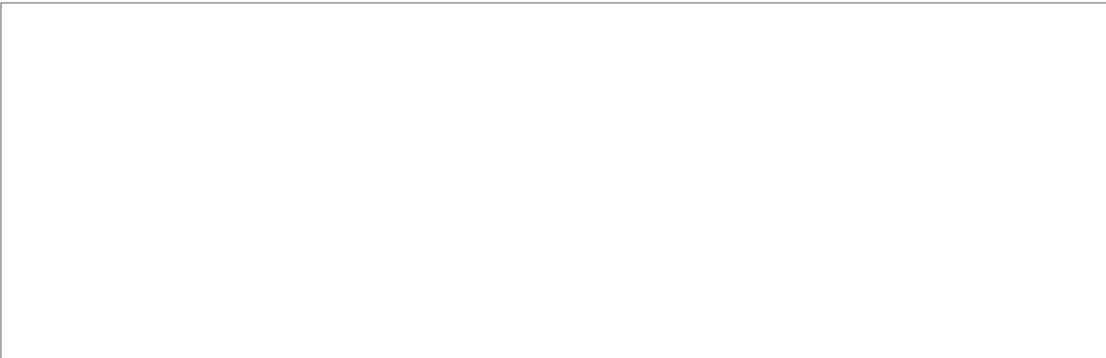
TAB C Political/Military Situation in Panama. At TAB C are talking points on the current political and military situation in Panama.

TAB D Political/Military Situation in Afghanistan. At TAB D are talking points on the current political and military situation in Afghanistan.



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TAB F PFIAB's Concerns about START. At TAB F are talking points prepared by ACIS regarding PFIAB's concerns about START as expressed in its recent letter to the President. Also at TAB F is the correspondence on this subject.

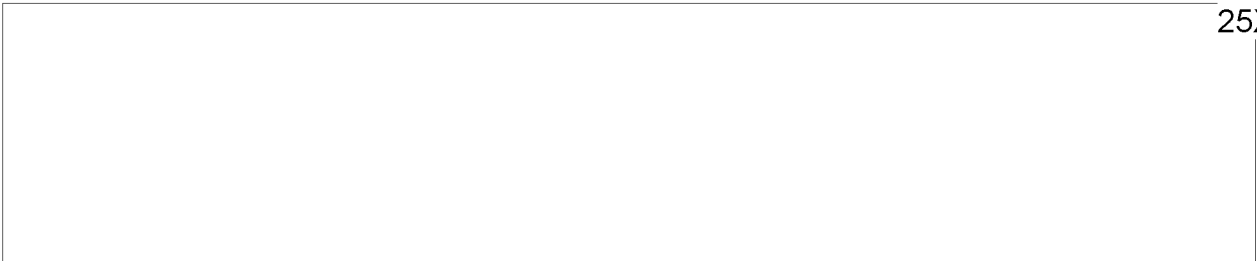
TAB G MOU between the CIA and the FBI. At TAB G is a copy of the most recent draft of the MOU between the CIA and the FBI regarding situations of counterintelligence concern. According to [redacted] this draft has been cleared through OGC and is currently at FBI headquarters. The FBI working level has approved the draft, and it is awaiting final review by Buck Revell before submission to Sessions for his signature. FBI officials expect to present the MOU to Sessions for approval soon [redacted]

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TAB H



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DCI/DDCI Executive Staff

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CIA Support to PFIAB  
7 January 1988 - 6 March 1988

OGI met with John Foster, PFIAB member, and Roy Godson, PFIAB consultant, to discuss developments in [redacted]

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Larry Gershwin (NIO/SP), [redacted] and Doug George (IC Staff) briefed the PFIAB on [redacted] relating to Soviet strategic forces and arms control.

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[redacted] (OSWR) met separately with PFIAB member Dr. Wheelon to discuss Soviet Space developments, and with PFIAB staffers Gary Schmitt and Ryan Malarkey to discuss Soviet missile accuracy.

Gary Schmitt made a courtesy call on Dick Stolz, the new DDO.

PFIAB staffer Bob Butterworth met with [redacted] (C/CI) and Fred Hutchinson (AC/NIC) to discuss CI and related issues.

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PFIAB member Leo Cherne and staff member Nina Stewart attended a jointly sponsored OGI/OTE conference on the global consequences of the 19 October stock market crash and a jointly sponsored NC/OGI conference on economic collection issues.

ALA analysts met with PFIAB staffer Gary Schmitt and two PFIAB consultants (Elliot Cohen and Abram Shulsky) to discuss Cuban military developments in connection with a PFIAB review of Intelligence Community reporting on that subject.

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Finished Intelligence Documents Provided:

- Soviet Policy Toward Eastern Europe Under Gorbachev: New Wine or New Bottles?
- A Comparison of Warsaw Pact and NATO Defense Activities, 1976-86
- Globalization of Financial Markets: Implications, Vulnerabilities, and Opportunities
- US Dependence on Foreign Defense Manufactures: An Emerging Vulnerability
- High Technology Trade: Changed Setting for US Policy
- [redacted]
- Fiber Optic Sensors: Foreign Excellence in Emerging Technology
- Advanced Structural Materials: Foreign Challenges to US Leadership

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- A Typescript entitled: "The Impact of Technology on Commodity Markets"
- A Typescript entitled: "Foreign Centers of Technical Excellence: Prospects for Collaboration"
- The Key Judgments of NIE on "Trends in Western Advanced Technology"
- A Guide to Monetary Measures of Soviet Defense Activities
- Acquisition of Western Technology by the KGB
- A Geographic Guide to SS-25 Soviet Mobile Missile Deployment Areas: Yur'ya
- Soviet Military Production, 1975-86

- [Redacted]

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## TALKING POINTS FOR THE DDCI/PFIAB

### CURRENT DEVELOPMENTS IN THE SOVIET LEADERSHIP

General Secretary Gorbachev has made progress in regaining the political momentum he lost as a result of the Yel'tsin affair last fall, but he now faces one of the biggest challenges of his tenure in the form of mounting nationalist unrest.

#### I. The February Plenum: A Modest Victory for Gorbachev

The plenum was held on the heels of a series of events demonstrating Gorbachev's gathering strength: the INF accord, the decision to pull out of Afghanistan, the legal rehabilitation of Bukharin, and the removal of Talyzin as head of Gosplan. Gorbachev successfully overshadowed "Second Secretary" Ligachev at the plenum, but he did not completely regain the aggressive form that characterized his activities prior to the Yel'tsin affair.

- o His speech was a defensive reaffirmation of his determination to carry out "radical reform," and contrasted sharply on certain points -- particularly history -- with the more comprehensive report delivered by Ligachev on the plenum's first day.
- o Since the plenum, the Soviet media have tended to highlight Gorbachev's speech while downplaying Ligachev's report.

Gorbachev was able to offset the removal of Yel'tsin from candidate membership on the Politburo with other personnel moves.

- o The promotions of Gorbachev allies Razumovskiy and Boldin to candidate membership in the Politburo and full Central Committee membership, respectively, represented clear gains for the General Secretary.
- o The significance of the promotions of Maslyukov to candidate Politburo membership and Baklanov to membership in the Secretariat is less clear, but overall, it appears that Gorbachev scored a modest net victory on the personnel front at the plenum.

#### II. Nationality Problems: Impact on the Leadership

Ironically, Gorbachev's call at the February plenum for a future plenum to deal with nationality policy foreshadowed by days the ethnic unrest in Armenia and Azerbaijan. While there are as yet no clear signs of leadership friction over how to handle the unrest, the political fallout from the demonstrations and violence may derail the momentum that Gorbachev seemed to be rebuilding at the plenum.

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- o Gorbachev may find himself in a "no win" situation. Outright rejection of Armenian irredentist demands could precipitate further violence and necessitate the use of greater force by the regime. Concessions, on the other hand, could open a floodgate of grievances from other ethnic minorities.
- o The difficulties Gorbachev is almost certain to encounter in resolving the nationalist unrest in the Caucasus are complicated by the potential debate within the leadership over the appropriate response. Regardless of the outcome, more cautious members of the Politburo could attribute the entire problem to insufficient limits on glasnost.
- o On an even more basic political level, attending to the nationality unrest in the Caucasus could sidetrack Gorbachev from the important task of building support for possible far-reaching changes at the June All-Union Party Conference -- now less than four months away.



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8 March 1988

TALKING POINTS FOR DDCI's PEIAB BRIEFING

Panama

The next two weeks will be the most critical for Panama City as it attempts to restore order in the banking system and meet its essential expenditures. Noriega remains firmly in control and is unlikely to step down unless the current liquidity crisis sparks political turmoil leading the military to withdraw its support for the Defense Chief. [redacted]

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Opposition Activity

The general strike last week was the most successful since June, but participation fell sharply after three days because of military intimidation and concern about monetary losses.

-- Support for the strike was highest in the capital, with 80 percent business participation and most stores remaining closed until Friday.

-- The military exercised restraint in dealing with opposition crowds, and no serious violence was reported.

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Despite the strike's success, political parties and opposition leaders remain undecided on how to consolidate their gains.

[redacted] indicates that many Civil Crusade leaders are reluctant to rally behind Delvalle because of his past association with Noriega and doubts about his political strength.

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-- Opposition leaders are reluctant to orchestrate large anti-Noriega rallies for fear of confrontation with military forces.

-- They continue to rely on US measures to bring Noriega down. [redacted]

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Military Attitudes

The Defense Forces have closed ranks behind Noriega.

-- Most officers believe both the opposition and the US are out to discredit the military as an institution, as well as force Noriega's ouster.

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- Some colonels reportedly are disturbed by Noriega's increasing reliance on majors for important tasks, but there are no signs that their working relationship with Noriega is strained.
- We believe the opposition may be spreading rumors of purges and resignations in hopes of raising doubts about Noriega's support. [redacted]

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Economic Deterioration

Events of the past week have virtually shut down the banking sector; most foreign and domestic banks remain closed.

- News that the US has frozen some Panamanian funds fueled massive withdrawals, exacerbating the regime's budget problems.
- We estimate the regime will require about \$158 million to meet essential expenditures in March and April.
- If business activity returns to near-normal levels, government reserves and receipts should be adequate to cover essential bills.
- If, on the other hand, most banks remain closed and business activity remains restricted, regime revenues could be reduced by half, generating a cash shortfall of as much as \$40 million over the next two months. [redacted]

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The regime is considering several options to deal with the dollar shortages before they lead to increased domestic discontent.

- [redacted] suggested Panama might turn to Colombian drug dealers for money, and [redacted] reported that the National Bank of Panama has informed a money laundering group the bank will accept any amount of currency without charging the usual fees.

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Noriega's prospects will hinge largely on the ability of the regime to restore order to the banking system in the next few weeks.

- If the banking system stabilizes, the regime's chances of developing additional sources of revenue would be significantly enhanced.

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- A collapse of the banking system would end hopes of significant alternative sources of financing, creating an acute financial crisis.
- In such an event, Noriega probably would not hesitate to implement radical economic measures such as nationalizing the banking system, freezing US assets in Panama, or even ending the use of US dollars as Panama's national currency to maintain his hold on power.
- Financial pressure alone, however, would be unlikely to force Noriega's ouster as long as the military remains firmly behind him. [redacted]

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### International Reactions

A growing number of Latin American countries have expressed their disapproval of Noriega but are reluctant to support harsh measures against Panama, such as economic sanctions.

- Noriega is concerned that only Nicaragua and Cuba have made strong statements of support for the new President, Manuel Solis Palma.
- At least eight Latin American countries have recalled their ambassadors, but [redacted] most Latin Americans are inclined to wait until the extent of US support for Delvalle is clear before extending official recognition to him.
- We believe most Latin governments would recognize the Solis government if Noriega weathers the immediate crisis. [redacted]

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Talking Points for the Acting Director of Central Intelligence  
for his PFIAB Meeting

7 March 1988


Afghanistan: Pakistan's Strategy

Pakistan continues to take a strong position at Geneva.

--Islamabad wants a Soviet commitment to a simultaneous aid cutoff to Kabul and the resistance, an immediate cease-fire, and agreement on an interim government to replace the Kabul regime.

--President Zia has told Under Secretary Armacost Pakistan cannot sign the accords with the Kabul regime because this would betray the Afghan resistance and because he is not willing to risk even a "5 percent" chance the Kabul regime might remain in power. 

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Zia may think that Soviet troops will depart even if Pakistan does not sign and that he gains little if signing forfeits resistance trust. He believes the resistance is doing better militarily and Pakistan can wait for Soviet concessions. 

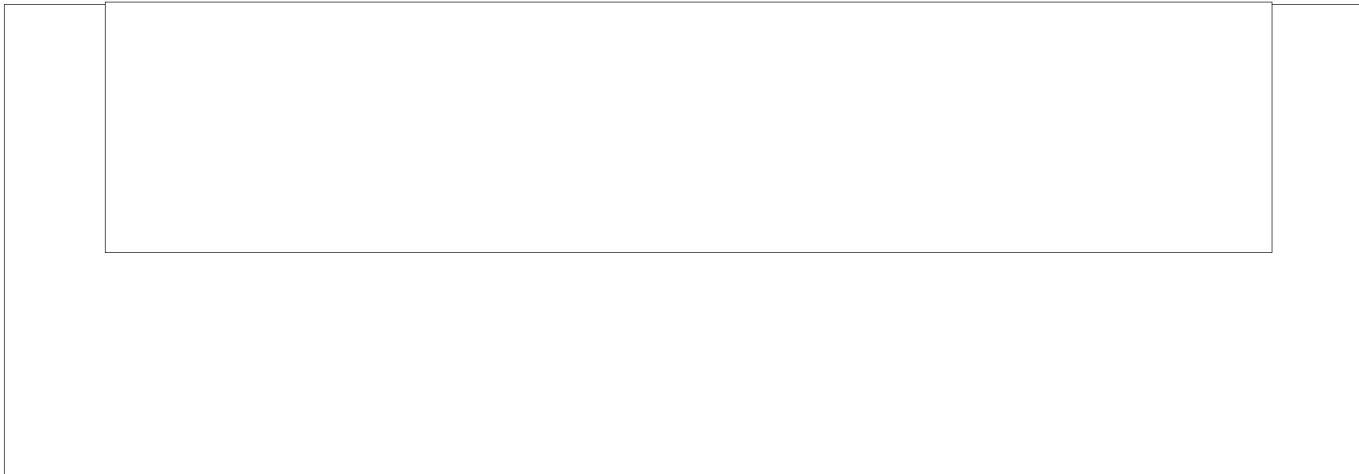
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Zia's demand for an interim government could be a ploy to gain further withdrawal concessions, and may be dropped if Moscow agrees to a simultaneous aid cutoff. Kabul has already met Pakistan's demands on a 9-month timetable and withdrawal of half the Soviet troops in Afghanistan by 15 August.

--The Pakistanis believe the US will not support delaying agreement on Soviet withdrawal to secure an interim government; Chinese support may also be weakening.

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--Pakistani efforts to persuade the resistance alliance to come up with a credible proposal for an interim government have met little success.



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Moscow's View of Negotiation

Moscow continues to press for signature in Geneva of the four instruments by March 15 and is refusing to discuss with Pakistan the formation of an interim government to be in place during the withdrawal of Soviet troops from Afghanistan.

--The Soviets may be willing to engage in talks on the side about an interim government if the issue is not a precondition to signature.

[Redacted]

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Moscow is stressing that a cut-off of Soviet military aid to the Afghan regime is not up for discussion in Geneva.

--Moscow will probably stand firm in the short-term if Pakistan and the US press for symmetry in aid cut-offs.

--The Soviets have hinted, however, that this issue and others may be discussed after signature of the instruments.

[Redacted]

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We believe the Soviet leadership is politically committed to the withdrawal of Soviet troops, but is pushing hard for its settlement terms in order to save face and enhance the chances for survival in power of the PDPA.

--Moscow may believe that, given the factionalism between resistance groups, the PDPA may have a reasonable chance of staying in power.

[Redacted]

First Deputy Foreign Minister

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Vorontsov stated recently that the Soviets estimate the number of active insurgents in Afghanistan to be no more than 30,000.

--Nevertheless, we believe that Moscow has accepted the strong possibility that the Kabul regime may be toppled from power.

[Redacted]

[Redacted]

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Soviet Withdrawal

There are no concrete, unambiguous indicators of Soviet determination to withdraw, although there is evidence of contingency planning and signs of preparations to publicize the departure of at least some forces.

--Potential indicators are likely to be equivocal and even contradictory at this stage. Some of the preparations for departure might not be evident until the last month or two before any withdrawal begins.

--The most solid indicator of plans to move troops is improvements at Soviet facilities near the Soviet Afghan border--Khairabad and Termez--that would enhance the Soviets' ability to publicize a withdrawal and facilitate the efficient movement of troops.

--At least one small Soviet unit has left its garrison

[Redacted]

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[Redacted] in Kabul report orders to reduce the presence of Soviet advisors and dependents in Afghanistan. [Redacted] notes the continued arrival of new dependents. [Redacted]

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To fulfill the heavily-frontloaded, nine-month timetable now proposed by Kabul at Geneva, the Soviets would have to remove virtually all their forces but those securing Kabul and the road to Termez in the first three months.

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--They likely will opt for a regional pattern of withdrawal, consolidating isolated units and removing non-essential personnel before withdrawing combat units and most of their equipment. [Redacted]

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Monitoring the departure of Soviet units could be done with a high

[Redacted]

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Soviet units continue to conduct combat operations, although at a lower level than in January, and to receive new combat equipment.

--A joint offensive to the northwest of Qandahar has just ended, and the Soviets may be planning operations along the road north of Kabul shortly. [Redacted]

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Should the Geneva process fail, the Soviets have several military options to place increased pressure on Pakistan, such as extensive bombing of insurgent depots in the border region. We doubt that Moscow is prepared to draw out an effort to pressure Pakistan militarily more than a few months or to exercise options that would require a significant increase in Soviet forces in Afghanistan. [Redacted]

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Regime Strategy for Survival

The Afghan regime appears to be planning to survive a Soviet withdrawal by holding on to Kabul and other major cities and expanding the armed forces.

--The regime has begun mandatory military training for all party members and [Redacted] is expanding recruiting for the army, the Ministry of State Security, and police forces.

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--Soviet and regime forces continue to beef up Kabul's perimeter defenses and [Redacted] the regime is stockpiling material in Qandahar and Herat. [Redacted]

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The regime probably expects insurgent factionalism to split the opposition and hopes to buy off groups controlling the roads to Pakistan and the Soviet Union in order to ensure its supplies.

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--Regime leaders appear to believe the resistance will become more fragmented without the Soviets as a common target.

[Redacted] the regime is spreading disinformation that key commanders have reached agreement with the regime.

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--Regime officials have suggested to Iran and Afghan Shia leaders that they make common cause after a withdrawal against the "US-influenced" resistance parties.



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Insurgent forces in the Kabul area cannot successfully assault the city's defenses if the regime does not disintegrate from its own factionalism, in our view.

--The regime would still have a firepower advantage over the insurgents as well as the ability to rally some 35,000 to 50,000 military and paramilitary personnel from surrounding areas.



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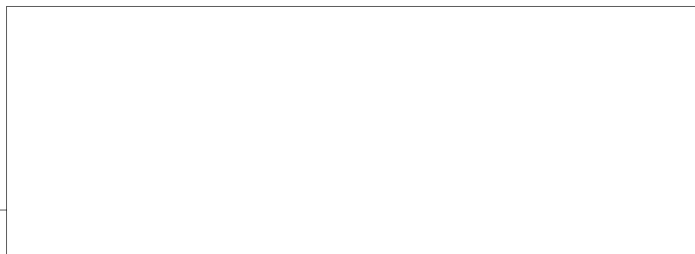
We believe, however, that the chances of regime infighting remain high and this, coupled with steady insurgent pressure, would cause the collapse of the regime within 6 to 8 months.

--The resistance has the capability to block the roads leading into Kabul and to gradually chip away at the security perimeters surrounding the city. Urban guerrilla operations and resistance-inspired civil unrest would also erode the regime's control in the city.

--We believe the insurgents would continue to cooperate on the battlefield until the destruction of the regime. Some insurgent factionalism may occur among rival insurgent groups but would remain manageable until after the regime's destruction.



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7 March 1988Talking Points from Response of General Powell  
to PFIAB Chairman, Armstrong

Response was a single letter replying to an Armstrong memorandum of 25 January 1988 to General Powell and an Armstrong letter of 5 February 1988 to the President.

- o many issues raised by PFIAB have long been objects of intense study by US intelligence e.g., Soviet strategic force structures under many circumstance and START monitoring judgments in NIE 4/11-88.
- o Soviets probably believe that security of USSR for the 1990s and beyond would be enhanced by a START Treaty because:
  - the requirement for deep cuts would curtail US strategic modernization program
  - they appear to want a more stable economic planning environment in the next decade and a better situation environment for "perestroika" and industrial modernization
- o The risks attending the completion of a START Treaty with the Soviets are greater than in INF because:
  - Soviet incentives to cheat are greater than in previous agreements
  - there will be more opportunities to cheat than in INF
  - these opportunities will extend over a longer period of time.

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- o INF incorporates far-reaching and unprecedented arms control verification provisions and the President will go even further in START by:
  - requiring a modified "anytime, anywhere" challenge inspection provision which would increase our confidence in Soviet adherence and increase the risk to the Soviets should they opt to cheat.
  - much wider use of portal-perimeter monitoring them in INF
  - physically tagging treaty limited items
  - proposing limits on the types of missiles to be constrained in START.
  
- o There are short-comings in our monitoring capabilities and we share many of your expressed concerns about them.
  - the specific nature of the shortfalls depends on the final details of a START agreement.
  - shortfalls were discussed at length in NIE 4/11-88
  
- o We welcome PFIAB suggestions and help, especially in securing the necessary funding that will improve our ability to monitor a START Treaty.
  - as work continues we will seek better ways to improve our treatment of the issues and in this regard we would be happy to meet with the Board to discuss them.

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THE WHITE HOUSE

WASHINGTON

February 11, 1988

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ  
The Secretary of State

THE HONORABLE FRANK C. CARLUCCI  
The Secretary of Defense

THE HONORABLE WILLIAM H. WEBSTER  
The Director of Central Intelligence

ADMIRAL WILLIAM J. CROWE, JR.  
The Chairman, Joint Chiefs of Staff

SUBJECT: PFIAB Letter to President Regarding  
START Treaty (U)

Attached is a copy of a recent PFIAB letter to the President regarding the proposed START Treaty. The letter raises a number of intelligence concerns and a couple non-intelligence, national security, concerns. (C)

In light of our recent NSPG, I request you give this issue your personal attention and provide me with your comments NLT COB February 18. (U)



Colin L. Powell

Attachment  
Tab A PFIAB Letter dtd 2/5/88

cc: Director, ACDA

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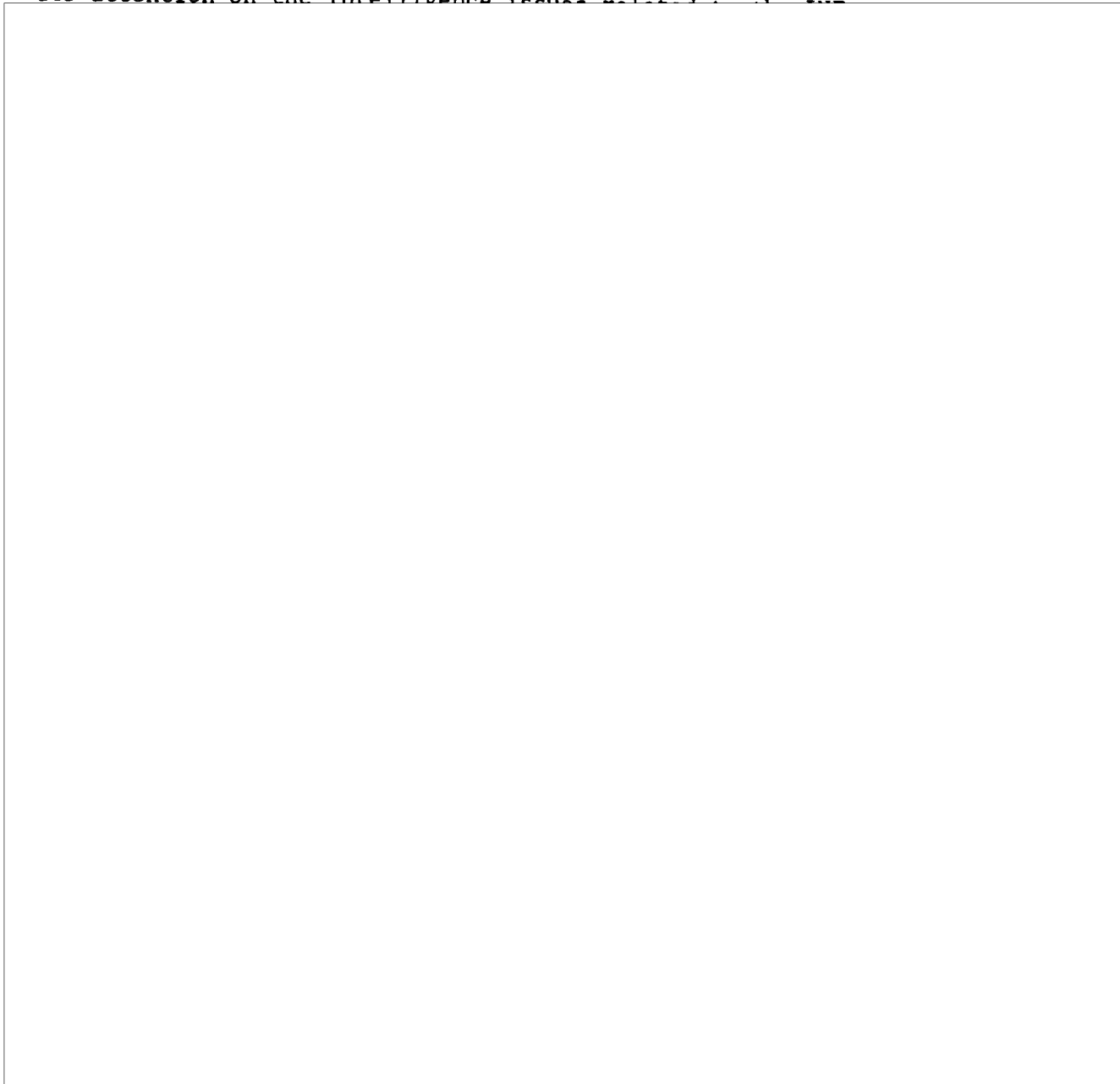
THE WHITE HOUSE  
WASHINGTON

President's  
Foreign Intelligence  
Advisory Board

February 5, 1988

Dear Mr. President:

In recent weeks your Foreign Intelligence Advisory Board has focused its attention on the intelligence issues related to the



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The issues raised above fall within the Board's charter to provide you our best advice on matters of intelligence. By your careful appointments, however, the Board comprises a unique repository of experience in national security affairs. It includes a former Secretary of State, a former Secretary of Defense, and two former National Security Advisors among other former Cabinet members. We hesitate to step beyond our formal mandate. But if the issue warrants, we believe it our obligation to make known to you other concerns which may fall outside the letter of the Board's governing executive order.

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[Redacted] we believe detailed analysis by the Secretary of Defense and the Joint Chiefs is required to determine what the net effect on the strategic balance

[Redacted]

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And have these requirements been put up against the budget constraints faced by the Department of Defense for the foreseeable future as well as the enormous political difficulties facing any attempt to restructure or modernize U.S. strategic forces?

Mr. President, we have not raised these concerns to frustrate efforts to reach an agreement. We do so to ensure that whatever shortcomings exist with the proposed treaty be fully understood so that they can be addressed, thereby increasing the soundness of a START accord.

As always, your Board stands ready to assist you in any manner you deem appropriate to address the issues raised in this letter.

Sincerely,

*Anne L. Armstrong*

Anne L. Armstrong  
Chairman

The President  
The White House  
Washington, D. C.

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THE WHITE HOUSE  
WASHINGTON

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September 15, 1987

MEMORANDUM FOR THE HONORABLE EDWIN MEESE, III  
The Attorney General

THE HONORABLE WILLIAM H. WEBSTER  
Director of Central Intelligence

THE HONORABLE JOHN E. OTTO  
Acting Director of the Federal Bureau of  
Investigation

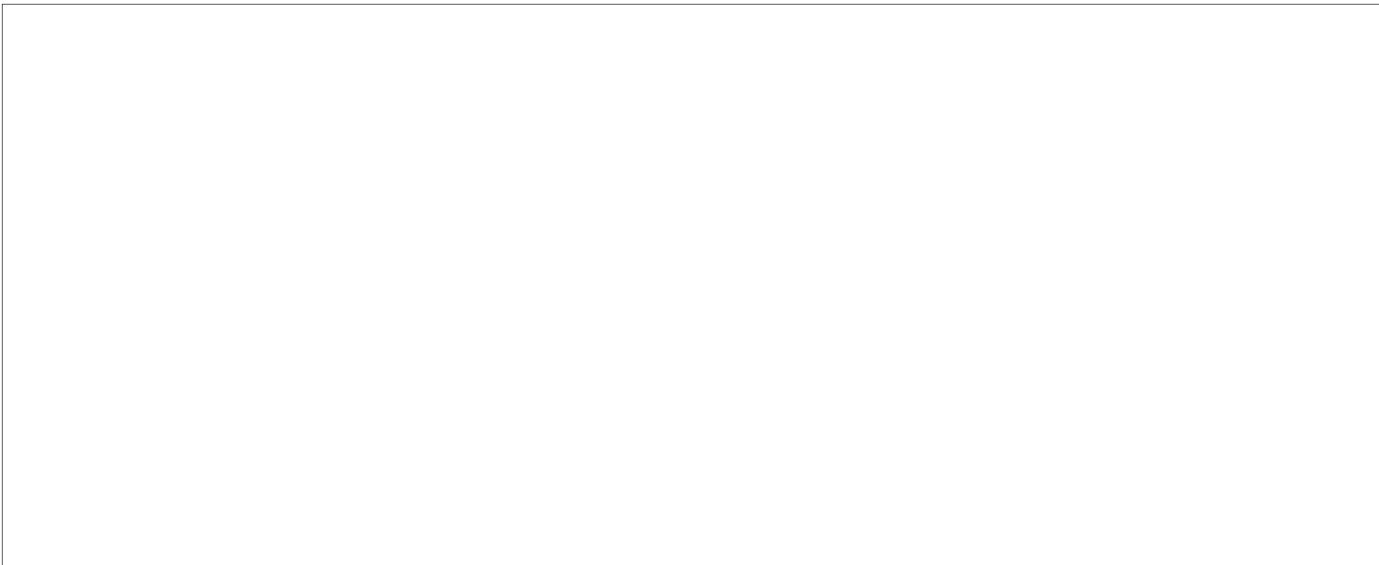
THE HONORABLE ANNE L. ARMSTRONG  
Chairman, President's Foreign Intelligence  
Advisory Board

MR. STANLEY E. MORRIS  
Director, United States Marshals Service

SUBJECT: National Defector Program (U)

As a result of the defection of Vitaly Yurchenko, serious questions arose about the adequacy of our National Defector Program. Consequently, in November 1985, the President signed NSDD 199 directing a White House review by the President's Foreign Intelligence Advisory Board (PFIAB) of the intelligence community's performance regarding several matters arising from the Yurchenko defection and defection. The review included all aspects of the Defector Handling Program. (S)

The results of this review have been reviewed by the President. He has directed the following actions to be incorporated into the National Defector Program: (S)



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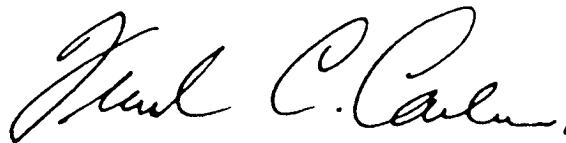
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PFIAB should conduct a review six months after the date of this order and assess the impact and effectiveness of the proposed changes and reforms as set forth above. (C)

FOR THE PRESIDENT:



FRANK C. CARLUCCI

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