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17 October 1989

MEMORANDUM FOR: Richard J. Kerr  
Deputy Director for Administration

FROM: James W. Greenleaf  
Director, Public Affairs

SUBJECT: Recent Speeches by the DCI

1. The Public Affairs Office regularly disseminates speeches given by the DCI on intelligence issues.

2. The attached speeches were given by the DCI to the Eighth Circuit Judicial Conference (21 July), the World Affairs Council (19 September), and the Association of Former Intelligence Officers (AFIO) (26 September). In the Eighth Circuit speech, the DCI discusses changes in individual rights in the Soviet Union brought about by Soviet leader Gorbachev's policies. In his World Affairs Council speech, the DCI talks about recent global economic trends and implications for our national security. The DCI's speech to AFIO addressed foreign intelligence challenges and touched briefly on management and resource issues involving the CIA.

3. If you have any questions or comments about these speeches, please contact me or [redacted] Chief of our Speeches Unit. She can be reached at [redacted]

4. I encourage you to send these speeches to others in your office who may wish to know what the DCI is saying in his public appearances.

[redacted signature box]

James W. Greenleaf

Attachments:  
As stated.



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REMARKS

BY

WILLIAM H. WEBSTER

DIRECTOR OF CENTRAL INTELLIGENCE

BEFORE THE

EIGHTH CIRCUIT JUDICIAL CONFERENCE

MINNEAPOLIS, MINNESOTA

JULY 21, 1989

Thank you very much, Judge Rosenbaum, Chief Judge Lay and all my friends. When I got in last night, the first people I saw were Judge Harper, Judge Devitt, and Alice O'Donnell, and I knew that I was really home. It's just great of you to ask me to come back each time, and I wouldn't miss it for anything.

I am especially pleased to see that you have on your program this morning Nina Totenberg, who once again is going to have to listen to this story, because she started it. A few years ago, I was addressing the Institute of Judicial Administration Breakfast at the ABA meeting in Dallas, and I got an early morning call from Nina. She said, "Judge Webster, I have a lot to cover this morning. Are you going to say anything important?" So once again, Nina, you have to wait and see.

I also want to say that you've been reading about Webster v. Doe and Webster v. Reproductive Health Services. I want to assure you that I am not pursuing a separate agenda in Washington.

Last year I talked to you about my first year in office as the Director of Central Intelligence. Much has happened since then.

In almost every corner of the world, events are taking place that are changing yesterday's political and military truths. At the same time that the United States and the Soviet Union are working to reduce nuclear arms, Third World nations are building arsenals of nuclear, chemical, and biological weapons. As the new Solidarity party struggles for a voice in Poland, democracy is endangered in Panama, a nation we have always considered to be a friend. East-West relations took a step forward as Hungary began removing the

barbed wire along its border with Austria. Yet we witnessed a tragic scene in Beijing, when the Chinese Government turned its army on its own citizens, who were demonstrating for democracy.

We are all working to keep up with events and to understand their significance -- for these countries, for the United States, and for the world. In particular, the Soviet Union, our traditional adversary, is undergoing unprecedented changes -- changes that appear to be shaking up the entire Soviet system and could have significant implications for the United States. These changes range from announcements by the Soviet leaders that more rubles will be spent on consumer goods and fewer on defense to the holding of the most open election since 1917. This election of representatives to the Congress of People's Deputies -- and the surprising degree of independence that new legislature is demonstrating -- are not politics as practiced in the Soviet Union even a few years ago.

As a nation, we have always been concerned with freedom and peoples' rights around the world, a point President Bush emphasized in a press conference last month. When there is promise of any such change in the Soviet Union, we watch with more than passing interest.

Until very recently, citizens of the Soviet Union had few real civil rights and little personal freedom. To a large degree, the law was used as an instrument of repression -- a tool to control the people.

Part of that picture is changing. In the past few years, we have seen significant change in the exercising of individual rights in the Soviet Union, although, certainly, many problems remain. Today I would like to talk more

about this change, what it may mean for the Soviet people, and the challenge these issues represent for American intelligence.

As long as the Communist Party dominates, the Soviet people will not acquire the freedom of speech, freedom of religion, and freedom to shape the decisions of government that we know in the United States. But, in certain key areas, the government is allowing more freedom than at any time since the 1920's -- in expression and information, in association, assembly, and religion. It has taken steps to provide better protection from arbitrary arrest and more rights to due process. It is allowing more opportunities for emigration and travel. There are limits in each of these areas, and the government has shown it will backtrack if the people go beyond those limits. But the liberalization we have seen is dramatic, important, and certainly applauded by all free people.

Under glasnost, we have observed unprecedented freedom of expression and information. In May and June, reformers elected to the Congress of People's Deputies criticized the highest levels of Soviet Government on live TV -- a spectacle we could not have imagined a few years ago. The Western world has been startled by changes in the information available to the Soviet people. Moscow is no longer jamming Radio Liberty, a station it has consistently denounced as hostile and has jammed since 1953. Statements of Western leaders, even those critical of the Soviet Union, are reported in the press. In fact, the official media are reporting on a number of issues that were previously taboo: social problems like alcohol and drug abuse, corruption in the government, even charges that Soviet psychiatry has been used to suppress dissent.

Yet, the party remains in control, setting the limits of glasnost and penalizing those who go too far. The authorities still confiscate literature they fear is politically threatening. Demonstrators who express support for fundamental political change, such as a multiparty state, are frequently picked up and harassed. Although laws are being prepared that will protect at least some of the new rights to expression and information, the drafts under review do not allow as much as reformers had hoped. Furthermore, it remains to be seen whether such laws will be enacted, and, if enacted, consistently enforced.

The people are being allowed more freedom to associate. The ability to participate in political debate has led to an explosion in the number of informal organizations within the Soviet Union. Tens of thousands of groups have formed -- literary, cultural, even political discussion groups. The government has been remarkably tolerant of their activities. In fact, some of these groups were influential in getting reformers elected to the Congress of People's Deputies in March.

Here, again, the limits of government tolerance are being tested. One group, the Democratic Union, has called for a multiparty state, which Gorbachev has made clear will not be tolerated. As a result, its members are frequently arrested and harassed.

As is the case with freedom of expression and information, laws are being prepared that will define the rights of groups. These laws will indicate how far the government is willing to go in allowing people the freedom to associate.

The openness allowed under glasnost has also encouraged people to exercise unprecedented freedom of assembly. Under Gorbachev, the number of protests and strikes has increased geometrically over previous years. Hundreds of thousands of people have demonstrated for a wide range of causes, from human rights to ethnic identity, with less fear than at any time in the past. Up to a million people participated in nationalist demonstrations in Armenia last year. And if you've been watching television, you've been seeing an exercise of that assembly and expression in the protests of hundreds of thousands of strikers in Siberia and in the Ukraine.

There are limits to official tolerance, and we're seeing those. Authorities are given wide latitude to deal with demonstrators at the local level, and often crack down with heavy fines and arrests. You may recall that in Soviet Georgia in April, troops used shovels, clubs, and toxic gas to crush a protest for national autonomy, leaving at least 20 dead. The national government concedes that was a mistake. But the government's authority remains.

Changes in the law in the last year place greater restrictions on holding demonstrations -- a signal that the government is not going to relinquish control. This backtracking greatly worries Soviet reformers because it shows how reversible their gains can be.

In freedom of religion, we have seen a remarkable shift in the government's stance. In the last few years, hundreds of churches and mosques have opened in the Soviet Union. Hundreds of thousands of Bibles have been allowed into the country -- a significant increase, though far from enough to

meet the current demand. The government is allowing Jews to study Hebrew and to open Jewish cultural clubs. In 1988, during a celebration of the millennium of Christianity in Russia, Gorbachev met with Christian patriarchs -- the first time that Moscow has given them such prominence since World War II.

The government's tolerance of religion does not extend to groups it considers a political threat. The Ukrainian Catholic Church, which has been linked to nationalist causes, is still outlawed despite thousands of believers presenting petitions to their government.

New laws are being considered that could protect the rights of believers and relax the criminal codes traditionally used against them.

In addition to allowing greater freedoms -- ranging from expression and association to religion -- the Soviet Government has taken steps that provide greater protection from arbitrary arrests and improve some guarantees of procedural due process. In the past, criminal defendants have not had the right to legal representation during investigations. A law to change this is now being considered. Another law, already passed, gives citizens the right to challenge some government decisions. Yet another law makes it more difficult for the government to suppress dissidents by sending them to psychiatric institutions. This year, in fact, Moscow allowed a US delegation of psychiatric experts to visit Soviet hospitals in an attempt to prove it was eliminating such practices.

All of these are encouraging developments. And they represent a decided -- though not necessarily permanent -- shift within the Soviet Union.

Another indication of this shift is the increased opportunity for emigration and travel. Soviets are emigrating in record numbers. In 1988,



almost 78,000 Jews, ethnic Germans, and Armenians were allowed to leave -- a twofold increase over the previous year and more than 40 times the number in 1986.

And more people are being allowed to travel to the West -- a benefit that is especially welcome to Soviet intellectuals and scientists. Ordinary citizens have benefited as well. The number of trips to the United States by Soviet citizens has increased tenfold since 1986.

The Soviets have drafted a law that would legalize the more liberal situation, although government approval will still be required for a citizen to leave the country.

We do not know how permanent these changes will be or how far the Soviet Government will ultimately go in granting its people more freedom -- whether it be greater freedom within the system or freedom to leave it. But today's leaders appear to understand that their system is faltering largely because it has not given the people enough breathing room -- room to inquire, room to innovate, room to unlock creativity and initiative. In fact, Gorbachev has acknowledged that improving citizens' rights is an important part of a greater strategy -- he sees it as a key to his economic reforms. But he has also made it clear that the government will judge the proper limits and that it will crack down if the pressures unleashed get out of hand. And I think we're approaching one of those moments as we sit here today.

The final versions of the laws under review will give some indication of the limits the government has decided to set on the various freedoms allowed

Soviet citizens. And to the extent that we can witness the process, we will have a better understanding of the goals of the Soviet leaders and the steps they think are necessary to achieve their goals.

We must recognize that relaxations of repressive Soviet policies could be reversed at any time. The Soviet Union has a long history of selectively enforcing its laws. So even changes in the legal code will not guarantee the permanence of the new practices.

The judiciary in the Soviet Union is not an independent check on the government as in the United States. The party interferes in legal cases, often dictating decisions to the courts -- a system known as "telephone justice."

Gorbachev knows that legal reform goes hand in hand with other changes. He has advocated creating a state of law in which law applies to officials and citizens alike.

But a state of law cannot exist without an independent judiciary. Until the courts in the Soviet Union are granted such independence, rights and freedoms granted the people will not be guaranteed.

The Soviet Union remains a primary focus of our intelligence collection and analysis. Despite perestroika and glasnost, the adversarial relationship between the Soviet Union and the United States remains. Soviet intelligence activities directed at the United States have not abated. Our new embassy building in Moscow, skillfully penetrated by the Soviets, remains unoccupied. The Berlin Wall still stands, a continuing symbol of the differences between our systems.

Gorbachev's efforts to reform his country have not altered these truths. In fact, they make intelligence of even greater importance to the American

people. We must help the American policymaker sort out what is going on in the Soviet Union and what it means both for that country and for the United States.

We must manage the explosion of information that has occurred under glasnost. There is more information to collect, process, and analyze than ever before. Although this is a welcome change, we are increasingly challenged to determine what is important and what is not, what is real versus what Moscow wants us to hear.

In the area of individual rights, the intelligence task is made more difficult by the fact that, despite glasnost, much of Soviet law is unpublished and some is even secret.

The changes in citizens' rights are but one aspect of the reforms we are observing in the Soviet Union. And the Soviet Union is but one of the many concerns of American intelligence. With uncommon changes taking place around the world, we are increasingly challenged to provide the information our nation needs to make wise policy decisions.

Acquiring and analyzing this information is the job of the men and women of American intelligence. And their success is the result of determination, skill, tenacity, and courage.

I think intelligence has never been more important than today. Our task is to support our government as it develops and carries out policies that not only address our nation's concerns, but will move us all toward a safer and a better world. A world, I might add, in which more and more nations will adopt as a model an independent judiciary and seek resolutions for their problems within a recognized and public rule of law.

Thank you very much.

REMARKS

BY

WILLIAM H. WEBSTER

DIRECTOR OF CENTRAL INTELLIGENCE

TO THE

LOS ANGELES WORLD AFFAIRS COUNCIL

LOS ANGELES, CALIFORNIA

SEPTEMBER 19, 1989

Thank you very much Mrs. Ahmanson.\* I'm delighted to be here back in Los Angeles, rain and all. I want you to know that I am not responsible for the rain this morning, but if you enjoyed it, I'll be glad to take credit for it.

Before coming here this morning I had a very nice visit with President Reagan who has asked to be remembered to all of you. As a matter of current intelligence, I can report that he feels great, he looks great, and even the Mohawk haircut looks good on him.

Mrs. Ahmanson mentioned that I was here ten years ago and at that time I spoke about terrorism and democracy's response. I won't do a rephrase of my speech to you, but I think in the last ten years the United States has a very proud record of dealing with the issue of terrorism inside the United States. We have kept the numbers of incidents to a handful and at the same time respected the rights and liberties of our citizens.

We've not been so fortunate abroad, where 40 percent of the incidents of terrorism involved, in some way, United States citizens, United States property or United States corporations. We've seen the effects of terrorism in the Middle East and in the bombing of Pan Am 103. But I can report to you that we are working diligently around the world to deal with this problem. And I hope that we'll someday be able to compile a record similar to the one achieved here in the United States.

A year ago, we were all talking about how peace and freedom was breaking out all over the world. And indeed, as the Reagan administration was coming

\*Mrs. Caroline Ahmanson, Vice Chairman, Los Angeles World Affairs Council

to a close, there was a lot to feel good about. The Soviet Union had promised to leave Afghanistan, and, in fact, did so in February. Cubans were leaving Angola; and the beginnings of a settlement in Cambodia, however complex, were on the horizon. We were hearing emerging cries for freedom and liberty and self-choice in the Bloc countries of Eastern Europe. And indeed, many of those processes continue. But we have learned to be more guarded about how fast change can occur because there are countervailing forces at work. The United States does everything that it can in every part of the world, to give freedom a fighting chance. There is a tendency, I think, for all of us to pay attention to the political side, the military side -- in terms of the reduction of troops and the greater possibility of detente and peace -- and the social issues of the emergence of minorities and ethnic groups clamoring for individual recognition. This afternoon, I'd like to approach some of the issues of intelligence from a slightly different, but no less important, basis.

When President Bush visited Europe in the spring, he made the point that a historic shift may be under way from East-West military confrontation to a global emphasis on economic concerns. Economic issues are already a key part of our foreign policy and our national security agenda. And as the 21st century approaches, it is clear that economic considerations will play an even greater role in our relations with our allies and our adversaries alike.

Now there is a universal recognition that economic strength is key to global influence and power. Nations are adjusting, even reshaping their economic systems in order to compete in the global marketplace. And we are seeing three trends:

- first, the Soviet Union, Poland, Hungary and other nations with centrally planned economies are recognizing the flaws in their systems and the need for reforms;
- second, the world's financial markets are becoming increasingly integrated;
- and third, there is greater international focus on debt, trade balances, and technological development.

Today I want to discuss these economic trends -- that affect our nation's policies and economic competitiveness. I also want to discuss some of the implications that these have for our national security.

For quite a while now it has been apparent to the Soviet Union -- and other Bloc countries -- that their centrally planned economies have major problems.

The serious and ongoing economic problems in the Soviet Union have convinced President Gorbachev to undertake bold reforms. Progress on the economic front has been slow. The budget deficit has spiraled and the demand for goods and services has greatly exceeded the ability of the regime to supply them. One move that could eventually help and that greatly affects our security interests is Gorbachev's plan to cut defense spending.

Over the past two years, Gorbachev has made a number of changes in Soviet national security policy that reduce somewhat the burden of defense on the economy. These changes include reaching an agreement on the INF treaty and withdrawing Soviet troops from Afghanistan. And in a speech at the

United Nations last December, Gorbachev announced major unilateral cuts in Soviet military manpower and equipment.

Then, in January, Gorbachev said the Soviet Union's economic situation was so "acute" that his government would also have to consider reductions in military outlays. Two weeks later, in an address to the Trilateral Commission, Gorbachev announced that the military budget would be reduced by 14 percent and the production of arms and equipment by nearly 20 percent.

If carried out, Gorbachev's moves to reduce defense spending and cut Soviet forces have the potential to give a much-needed boost to the civil economy. A 14 percent cut in defense spending would release substantial resources for investment in the critical machine-building and consumer goods sectors. The Soviets themselves have indicated some of the economic benefits they hope to gain by cutbacks in defense, including using skilled military manpower in the civilian sector and converting existing military equipment to civil use.

The biggest potential benefits to the economy, however, would come from reductions in military research, development, and procurement. Reducing weapons production would free up defense production capacity and curb the military's demand for high-quality metals, computers, and microelectronics needed in the civil economy.

According to the Soviets, the defense reductions will be made this year and next year, but the full impact of the cuts will not be felt in the economy until several years after that.



And even then, long-term benefits will not materialize without a more determined effort to increase the role of market forces in the economy.

The nature and extent of Soviet cutbacks on defense are of great national security concern to our policymakers. Our government will be very interested in how the Soviets restructure their military forces and how they go about transferring resources from the military to the civil sector.

Another national security concern is the impact that cuts in Soviet defense-related research, development, and procurement will have on Soviet espionage activities.

Despite glasnost and perestroika, the intelligence activities of the Soviet Union and its Warsaw pact allies have not abated. We will be looking to see if the Soviets compensate for cutbacks in defense research, development, and procurement by increasing their efforts to acquire western defense information and technology. A Soviet KGB officer once said, "In intelligence, there is no such thing as detente." And I think he's right.

The Soviet Union is by no means the only Bloc country in the midst of a very difficult economic situation. The new noncommunist government in Poland is faced with an economic crisis that will take years to overcome, while Hungary faces serious economic problems of its own. Both nations have asked our government for significant assistance as they move toward reform.

Our government's policymakers will then be focusing on ways in which Poland and Hungary develop more market-oriented economies -- a transition that is not going to be easy. These countries are facing more austerity measures, and obtaining public support for austerity is going to be a very difficult political challenge.

Our policymakers will look for ways the US and other western economies can associate with the developing private sector economies in Poland and Hungary. Our government will also be looking for ways to help them manage their debts.

The economic changes we are seeing in Eastern Europe do, in fact, have great bearing on our nation's national security interests. One of the major challenges that face the United States policymakers today is encouraging peaceful change in Eastern Europe without provoking explosive instability. The Soviets are meeting in the Central Committee today and many of the issues I am discussing with you are on their agenda for debate.

The second major economic trend we are seeing is the further integration of financial markets. This financial integration is a revolutionary structural change in the global economy. Traditional distinctions have been blurred between domestic and international markets, between the different kinds of financial transactions, and even between who is a market participant and who is not.

The transformation of international financial markets is clear when you look at the numbers: foreign exchange transactions now exceed 300 billion dollars per day, and one week of funds transferred on the international market is larger than the size of the third world debt. The number of international banks is now in the hundreds, up from just a handful in the 1970s; and new financial instruments, such as currency and interest rate swaps, are growing in the markets faster than either the traders or the regulators can fully understand them.

We are also seeing a growth of international corporate link-ups. This is driven by efforts to acquire advanced technologies, disperse financing costs and risks, and gain access to protected foreign markets. We'll see more of this as European Community '92' gets closer to us. As a result, the national identity of firms in many key industries -- such as electronics, automobiles, and defense -- has become blurred. To survive, computer companies that were once fiercely independent are scrambling to form alliances and partnerships to broaden their product ranges.

The increased capabilities of the world's financial system have facilitated greater growth and efficiency of the world economy. For the United States, these changes have made it easier to tap Japanese and European surplus capital for financing US trade and fiscal deficits and have brought productive investment to US soil. But this new financial environment is also creating some potential risks.

The "globalization" of financial markets has created a highly fluid situation in which political and economic developments in one area are quickly and forcefully transmitted to the rest of the globe. As a result, markets are increasingly sensitive to news. The first indications of breaking world events are often seen in the immediate movements of interest rates, exchange rates, and capital flows.

Even rumors can send markets reeling. Just a few years ago, a rumor spread through the market that there would be an emergency "group of five" meeting to stabilize the US dollar. Within 30 minutes the deutsche mark and the yen dropped more than two percent against the dollar. Given the size of

outstanding foreign exchange positions, the drop represented a shift in wealth of about 1 billion dollars on the market.

Sudden shifts in exchange rates as a result of political events can stimulate further speculative attacks on a country's currency -- quickly draining foreign exchange reserves if a government chooses to insulate itself from currency changes.

Along with the globalization of international finance has come the greater use of the financial system by governments and groups whose objectives threaten our national security interests. The international narcotics money laundering industry -- as well as terrorist activities, gray arms purchases, technology transfer, and nuclear proliferation -- are often funded through the world's financial networks. Participants in these activities find the speed, ease, and anonymity associated with the use of the system attractive for their purchases.

During the next few years, US policymakers will be looking at the impact of increased financial integration on world economic stability. They will also be looking at the ways in which the international financial system can be used by governments and groups whose objectives threaten our security interests. We will be working for countermeasures to offset this misuse.

There are a number of other economic issues that affect our own security as well as the stability of an increasingly integrated global economy. Among these issues are third world debt, trade imbalances, and rapid technological development.

Despite the achievements of the Brady plan, such as the recent Mexico agreement, third world debt is still a major concern. What happened in

Venezuela earlier this year shows what can happen if this issue is not carefully addressed. You may recall that the Venezuelan government's austerity measures announced in March caused widespread rioting in Caracas and other major cities, resulting in more than 300 dead.

Because economic problems such as these complicate our political relations or can lead to political instability, they are certainly on our national security agenda.

During the next few years, policymakers will be closely looking at the strategies third world nations pursue to meet their financial obligations. Certainly an important part of US policy is encouraging debtor countries to work with the World Bank and the IMF to develop sound economic plans. Our government will also have great interest in the reform measures these countries adopt -- measures that could significantly affect political stability.

The other economic issues that I mentioned -- trade imbalances and technological development -- illustrate a point that is becoming increasingly clear and one to which we need to pay attention: our political and military allies are also our economic competitors.

Trade imbalances have focused attention on the trade barriers that exist in countries with which the United States has large trade deficits -- particularly Japan and the newly industrializing countries in East Asia. Last year, our trade deficit with Japan alone reached 52 billion dollars.

As we approach the 1990's, US policymakers will be very interested in identifying protectionist measures and other impediments to reducing trade imbalances. They will be interested, as well, in the reaction of economic competitors to measures that we take to correct the imbalances.

Perhaps the most formidable economic challenge we face in the next decade is in the area of high technology. Technological advances can revolutionize major industries in a few years or even a few months -- an example of that is the impact microelectronics has had on the computer industry. And just as important as developing a new technology is bringing it to the marketplace quickly.

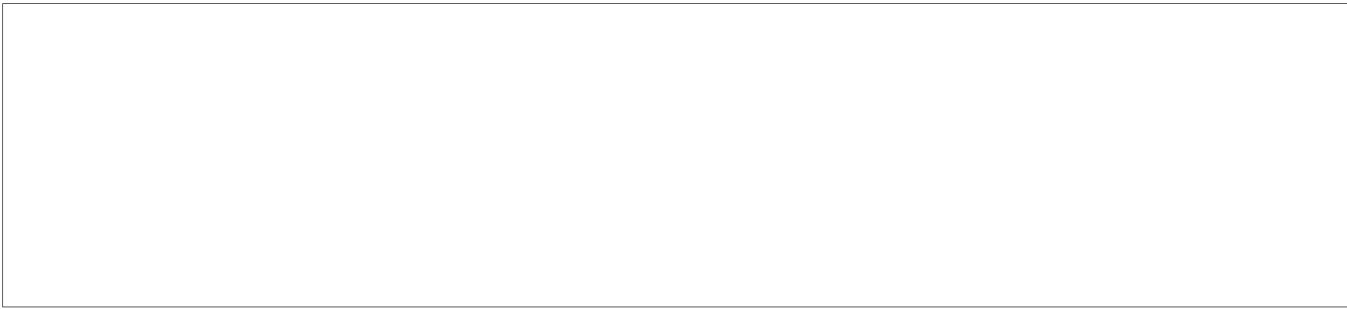
The national security implications of a competitors' ability to create, capture, or control markets of the future are very significant.

During the next few years, Japan and some of our other economic competitors will continue to make technological strides in high-tech industries in which the United States has long held the lead. Telecommunications and data processing are just some of the areas in which the Japanese and other industrialized nations are growing increasingly competitive.

This is clearly a challenge for American business. And as Secretary of Commerce Mosbacher has said, "If American business sacrifices research for short-term profits, the United States will end up trying to light the road to the future with lanterns, while our competitors are lighting it with lasers."

In high technology and in virtually every other economic area, US policymakers will be increasingly focusing on where the playing field is not level as far as US interests are concerned. They are looking at the strategies of our economic competitors, as well as the efforts by foreign governments to target markets and finance research, development, and production.

As the economic trends I have discussed today unfold, the connection between economics and national security will become even greater. The



Intelligence on economic developments and other issues has never been more important. Policymakers are turning to us now for timely and objective assessments on both fast-breaking events and long-term global trends. It's a big challenge for us in intelligence. We have wonderful people. Skilled scientists, and analysts and clandestine operators helping us through human intelligence, and through satellites in the sky to gather the information that we need, to analyze it correctly, and to give timely, useful and objective information to our policymakers. This information will enable those policymakers to make wise decisions in the interest of our country. I just want to assure you that the men and women of American Intelligence will continue to support our government as it develops these policies and carries them out and help, in that way, to move us toward a safer and a better world.

REMARKS

BY

WILLIAM H. WEBSTER

DIRECTOR OF CENTRAL INTELLIGENCE

TO

THE ASSOCIATION OF FORMER INTELLIGENCE OFFICERS

NEW YORK CHAPTER

NEW YORK CITY, N.Y.

SEPTEMBER 26, 1989



Thank you very much, Don, and ladies and gentlemen.\* It's a pleasure to be here and to have a chance to share some thoughts with you about something that many of you spent your careers in. I'm looking forward to having a chance to answer your questions.

I feel some sentiment as I look around this building. This was my inn of choice for many years when I'd come to New York. My grandfather lived three doors down the street. I also used to come here when we were putting together the Master Charge system in the sixties and then later when I had judicial committee meetings. I spent a week here when I was invited to sit on the Second Circuit, and then there was a dinner, I think in this very room, given by my old colleagues in the American Bar Association when I went to the FBI.

I think of New York especially in relation to two people: Bill Casey, whom I knew when I was at the FBI -- we went to New Zealand and did many things together, and I had the greatest regard and affection for him -- and General Donovan, the man who founded American intelligence. It is a great pleasure for me to see his partner, George Leisure, tonight and also one of many of my friends whom he guided in his career, Judge McGivern. He made me think of my old friend, Charley McWorter, and some of the OSS people --

[redacted] whom some  
of you may remember, and who is enjoying the privilege of being Mayor of

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[redacted]. It all started here in New York, where we were together many  
times at the University Club.

STAT

\* Donald (Don) Milton, New York AFIO Chapter President

Today at lunch, I met with a group of some of our senior Sovietologists,

[REDACTED]

We discussed

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what's going on over there today. It is truly a time in which Gorbachev has not only stirred the stew, as I used to say in earlier speeches, but has created a country in major transition, even at the edge of crisis. Our officers describe the reactions, the changes, and the turbulence within the country. They also report that some people are describing scenarios in which the country fails to succeed in perestroika and things go awry. It's a time of understanding. And we are making an effort to understand -- not only the Soviet Union, but what's going on in the other Soviet Bloc countries as well.

I think of the old expression of "Plus ca change, plus c'est la meme chose." Tonight I want to talk to you about some new challenges in old issues. Issues like those to which you devoted your careers remain very high in our priorities. But we're facing some new challenges in these issues, and we're facing some that have not been on our agenda in the past. It is a very exciting time for those in intelligence -- particularly for those who for so many years looked for "hiccups" in the Soviet Union and are now flooded by the quantity of information that is coming our way.

[REDACTED]

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Only last month, on the 15th of August, the Soviets opened an ICBM silo and launch control bunker for inspection by a US Congressional delegation. This was the first time in history that foreigners were allowed

inside an operational Soviet launch center. This group, and a second Congressional delegation, were also allowed to see Soviet lasers at Sary Shagan and Troitsk.

we have seen the people of the Soviet Union struggle for -- and exercise -- greater human and personal rights. The Soviet policies of glasnost and perestroika have allowed the whole world to witness unexpected changes in the government and society. Reformers elected to the Congress of People's Deputies have criticized the government -- and even Gorbachev himself -- on live TV. This Congress is exercising considerable influence in the appointment of high officials. We have seen the government negotiate with workers who are striking for better conditions, and we have seen hundreds of thousands of people demonstrate for national rights.

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These are unprecedented events in the Soviet Union, and they represent a decided shift in government policy. But they do not change the fact that the Soviet Union is -- and will continue to be -- a primary focus of American intelligence. Gorbachev has indeed made initiatives in foreign policy, arms control, and military reductions. Yet the armed forces remain strong, and Soviet influence continues to be felt throughout the world.

If you were among those who struggled to collect any piece of information on the Soviet Union, you would not recognize the situation today. As I mentioned earlier, under glasnost, the lack of information we confronted in the past has been replaced with an explosion of information. We hear from writers, historians, economists -- even high-level officials -- who have

overcome their reluctance to speak in public. Some, like Boris Yeltsin, are even carrying their message abroad.

In this new age of outspokenness, intelligence has become more important than ever to help determine what is significant and what is not -- what is real and what Gorbachev would simply like us to hear.

Last year we produced more information on the Soviet Union than in any other year in this decade. We have been called on to study the implications of the new policies and reforms, both for the Soviet Union and for its relations with the West.

But the Soviet Union is not our only focus. There are other countries where we face new challenges in old issues -- where new policies and new players are changing the very questions we are asked. I would like to talk briefly about some other Communist countries where such changes are taking

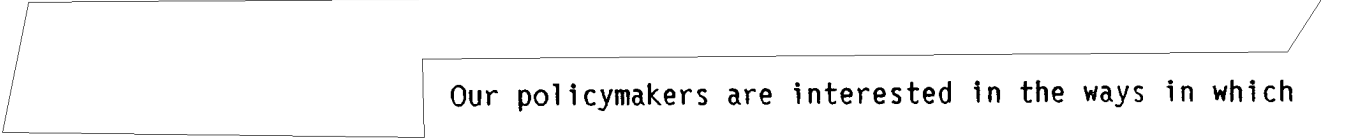


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Then I'd like to address two issues that cross national boundaries -- the proliferation of weapons and the narcotics problem.

A number of countries with centrally planned economies are recognizing the flaws in their systems and the need for reform. Our government has been asked to help a new non-Communist government in Poland seek a solution to the country's economic crisis. The people of Hungary have also asked for assistance as they pursue economic and political reform.

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Our policymakers are interested in the ways in which

these countries will move toward more market-oriented economies -- a transition that is not going to be easy.

Both Eastern and Western Europe are struggling to deal with the mass emigration of East Germans fleeing political repression and economic stagnation in their country. The leaders of East Germany, like others in the Eastern Bloc, are under increasing pressure to seek reform. But they are a long way from reforming. We are looking at the implications these pressures may have for the country's leadership and for the region as a whole.

Turning to another part of the world, we are closely following events in China, where the recent social unrest and ensuing crackdown slowed the pace of economic reform. The persistent economic problems are sure to affect the direction in which the country is headed, and our government is watching closely for indications of China's future moves, both economic and political.

Afghanistan continues to be a major issue -- and a constantly changing one. Earlier this year, February 15th, Soviet troops withdrew from Afghanistan --

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With their troops withdrawn, however, the Soviets are sending massive shipments of arms to the Afghan regime troops, and the insurgents' struggle continues much as before. Soviet economic assistance also continues almost exactly as before the troops left.

Conflicts among the guerrilla factions continue to contribute to the nation's problems. We had hoped for a better, more cohesive effort to achieve peace -- recognizing that in Afghanistan there will always be frictions and

tribal disputes, but recognizing also the need for some form of allied interim government that could hold the factions together until Najibullah had departed.

Afghanistan will remain an important concern for us, not only because of its strategic location, but because of the Soviet interest in it. It was a prominent issue in the talks between Secretary of State Baker and Foreign Minister Shevardnadze last week, and those discussions will continue.

Issues that cross national and even continental boundaries were also part of the agenda for those talks, and they are demanding more and more of our attention in intelligence. A very important issue -- and one I have spoken about on a number of occasions because I believe that more awareness is needed -- is the proliferation of nuclear, chemical, and biological weapons around the world, particularly in Third World countries, and especially in the Middle East. The Soviet Union and the United States have agreed on an exchange of data and inspections of their chemical weapons facilities in anticipation of a global agreement on chemical arms.

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Another threat that reaches across national boundaries is narcotics. That's a subject that wasn't on the list of many of you in earlier years in intelligence. Today, the Intelligence Community is playing an important role in our government's efforts to combat the flow of drugs -- a program President Bush outlined earlier this month. The new national strategy emphasizes aid to other nations and increased support of US law enforcement. These are plans that require good foreign intelligence in order to succeed. I was particularly pleased last month when I was at the Aspen Institute attending a strategic arms conference on missile proliferation and we attended a public lecture by Bill Bennett. One question that he was asked about international narcotics drew from him, I thought, extraordinary praise for the Intelligence Community. He mentioned how much he appreciated the cooperation he was receiving and how vital it was to his work. That was an unsolicited bouquet, and for those who have lived in the shadows and only get faint praise, it fell on very welcome ears.

These are some of the issues that face intelligence today. Perhaps I could take just a few more minutes and discuss some of the increasing numbers of problems that confront us in terms of internal management, and how we're taking on the additional requirements that come our way, adapting and improving with very limited additional resources.

I think I will probably strike a familiar chord if I acknowledge first of all that our most important intelligence asset is -- and always has been -- human intelligence. With our satellites and sophisticated techniques, we can see from the sky but not into the minds of our adversaries. The need for

HUMINT is especially true today when so much information needs to be sifted and evaluated in order to determine its importance. We're seeing the need to bring together the various components of intelligence to deal with increasingly difficult problems in counterintelligence, in counterterrorism, and in counternarcotics.

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I mentioned the Counterintelligence, Counternarcotics, and Counterterrorist Centers. I think I should tell you we've been moving toward making those Intelligence Community centers. The DCI Counternarcotics Center is already a full-blown Community center, and today I signed papers which will bring the Counterterrorist Center and the Counterintelligence Center into the same type of organization. Others from outside the Agency who have important equities and interests in these areas -- including NSA, DIA, State, and the military intelligence units -- will be full participants and full partners in the effort.

The Counternarcotics Center was ordered in April and was up and running in four months and we have already seen its impact.

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While I emphasize the importance of human intelligence, I should also mention the tremendous leap forward that we get and must have through using new technologies to our advantage.

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Next month I'll be meeting with the senior leaders of the entire Intelligence Community to discuss some of the things we've been talking about here this afternoon -- the changing issues we face, our organization, and the technology that has given us new ways to approach our work. People, however, will still be our best asset and the best reason we're able to do our job. This has been true since the earliest days of intelligence.

I'd like to close by mentioning that, last year at CIA Headquarters at Langley, I dedicated a statue of General William Donovan, which is a great

likeness of him. His son and grandson were there and they all look alike. The statue stands opposite the wall which has the stars for those who have given their lives in the line of duty. Bill Donovan was always a kind of inspiration for me. About 50 years ago I received an autographed copy of Father Duffy's book "The Fighting 69th," which told about Donovan and his regiment. And I still think of him and the inspiration he provided to others, and the personal bravery and courage that has characterized all who followed him.

I've seen many of these people around the world. I have visited over

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and I've had the chance

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to meet with young case officers and with senior chiefs of station. When I think of General Donovan, I think he would be very proud of all of these people.

I know of the allegiance each of you has to the mission and the people of intelligence. You can take tremendous pride in your own accomplishments and also in your continuing efforts -- which we value -- to promote our work and to guide others who are interested in a career with us. And we hope you send us some. We're getting about 1,000 applications per month of well-qualified people, and we'd rather have some of them come from you. You can also take pride in your continuing contribution to protecting our nation's secrets. We know we can count on you -- both in your work and in your writings -- to keep safe the knowledge of the people and the methods that have made our operations a success.

I know I've touched all too lightly on many of the things that we're doing. I'd like to say more words of praise about people who are doing

extraordinarily interesting and brilliant things to make it possible for us to get that little bit of information that completes the puzzle or opens up a whole new line of inquiry. Suffice it to say that I'm very proud to be in the position that I'm in and to have the chance to work with such men and women. More than [redacted] employees, wives, husbands, children, and family members came to Family Day two weekends ago, and I got a chance to answer the question that one of you asked me earlier this afternoon -- how is morale? Morale is great.

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