

REMARKS

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It really is a pleasure to be back again. I had the privilege of addressing this organization a few years ago when Shirley Black, whose brother was a career FBI agent, was on your Board of Trustees. It was good to hear from my old friend and colleague, Phil Habib, that you might be willing to have me come back again and talk to you.

When Phil Habib asked me to speak to you, he suggested that I discuss what the most important intelligence issues of the 1990s will be. What Phil suggested reminded me of an observation once made by a nuclear physicist: "Prediction is very difficult, especially about the future." With that cautionary note in mind, I will make a few predictions about some of the key issues that now confront the Intelligence Community -- issues that we expect to be with us well into the next decade.

My good friend, General Vernon Walters, former Deputy Director of Central Intelligence and now our Ambassador to the United Nations, describes a view held by many in this country about intelligence. "Americans," he said, "have always had an ambivalent attitude toward intelligence. When they feel threatened, they want a lot of it, and when they don't, they tend to regard the whole thing as somewhat immoral."

With so much going on around the world that affects our national security, I think the American people today want a lot of intelligence. And a whole range of issues are commanding the Intelligence Community's attention -- international terrorism and drug trafficking, the proliferation of advanced weapons, and technology transfer, to name just some of the issues that are global in nature.

This evening, I want to concentrate on three connecting geographical areas that are and will continue to be of great interest to U.S. policymakers and, thus, of great interest to the Intelligence Community. These areas are the Soviet Union, South Asia, and the Persian Gulf. And I would also like to discuss two issues that are tied to these geographical areas -- the proliferation of chemical and biological weapons and our continuing need for effective counterintelligence.

The Soviet Union will remain the primary focus of our intelligence collection and analysis in the 1990s. Its military capability, its efforts to increase global influence, and its aggressive intelligence activities are a continuing and serious threat to U.S. interests.

Gorbachev's efforts to reform his country have not fundamentally altered these truths and, in fact, make the Soviet Union of even greater concern to U.S. intelligence.

The President told me an interesting story recently. Gorbachev sent a representative out into one of the Ukrainian states to see how perestroika was getting along. He went to one of the small hamlets and asked to see the mayor. After talking to the mayor for a moment he said, "Do you have any television sets in this village?" The mayor looked at him and said, "Of course we have television sets. There is a television set in every hut in this village. In fact, there may be two television sets in many of these huts." The representative said, "That is very interesting. What about refrigerators?" And he said, "Of course. We all have refrigerators." The representative looked him in the eye and said, "Do you know who I am?" And the mayor said, "Of course I do. Who else but a CIA agent would come into a village with no electricity and ask questions like that?"

Like many of you, I have been fascinated by what is occurring in the Soviet Union. Gorbachev has stirred up the stew -- bringing new life and dynamism to Soviet politics and pushing a series of reforms that none of us could have foreseen five years ago.

The forces of democracy are making some political and economic inroads. Although the USSR certainly is not headed toward democracy as we know it, today's Soviet leaders appear to understand that their system is faltering largely because it has not given the people enough breathing room -- room to innovate, room to inquire, and room to investigate.

Change is occurring in the area of foreign policy as well. The Soviets are leaving Afghanistan and eliminating a whole class of nuclear weapons under the INF treaty -- a process that includes unprecedented on-site inspections of Soviet military facilities.

The dramatic nature of these policy changes clearly has provoked controversy within the Soviet Union. A major power struggle is under way between reformers, who believe radical changes are necessary to make the Communist system work, and conservatives, who fear such changes could destabilize the very system they are trying to save. The outcome of this struggle will affect how far and how fast reform progresses, the extent to which central authority is relaxed, the general welfare of the individual, and how competitive the Soviet system will be over the next few decades.

Neither we nor the Soviets know for certain where this reform is leading. The process will be long and drawn out at best, requiring Gorbachev to overcome enormous political, economic, and cultural obstacles.

There are strong reasons to doubt whether a system designed to centralize authority, maximize government control over its people, and concentrate resources on building up the nation's military strength can become more decentralized and democratic in its decisionmaking and more solicitous of its people. The nationalist unrest in the Baltic states, Armenia, and other regions of the USSR will test the Soviet system's ability to make reforms work.

But if the last three years have taught us anything, it is that Gorbachev is a highly skilled politician, and we cannot rule out the possibility that he can pull off a "revolution from above" that actually increases authority below. He must act with boldness -- and he is acting with boldness -- if he hopes to alter the course of the huge, sluggish, Soviet leviathan.

The Soviet reform effort presents the U.S. Intelligence Community with some formidable challenges in analyzing the Soviet Union. We must pay closer attention than ever to the political struggles and issues being raised as Gorbachev challenges the established interests of individuals and institutions. Clearly, before he can speed up his reforms, he must capture some of the sinews of power exercised by the party. This was, in our view, his primary objective at the summer party conference.

We must also help the policymaker sort out how reform will affect Moscow's military and economic capabilities and -- even more difficult -- just how serious the Soviets are about moderating their international behavior.

Glasnost has produced an information explosion which, though welcome, challenges us to sort out what is important and what is not, what is real versus what Moscow wants us to hear.

U.S.-Soviet arms control talks provide the Intelligence Community with further tasks. As these negotiations progress, we will increasingly be asked to assess Soviet motivations and monitor Soviet compliance with the provisions of agreements. As we are finding out with the INF treaty, this task is manpower intensive for the Intelligence Community.

Yet whatever Gorbachev's specific domestic and foreign policies, the adversarial relationship we have with the USSR will remain. Gorbachev aims to make the Soviet Union more competitive with the West -- both economically and militarily -- and more influential in world affairs. For these reasons, Soviet intentions and capabilities will remain the Intelligence Community's primary focus.

Intelligence about South Asia will continue to be important to policymakers for a number of reasons, not the least of which is Soviet influence in the region. Gorbachev's decision to withdraw Soviet troops from Afghanistan demonstrates his desire to cut Soviet losses in order to pursue other objectives. But despite the Soviet troop withdrawal, Afghanistan will remain a key foreign policy concern in Moscow. Because of the Soviets' continued interest and its strategic location, Afghanistan will remain an important concern in Washington as well.

We expect the Soviets to abide by their commitment to withdraw the rest of their troops from Afghanistan by February 15th of next year. At the same time, Moscow will try to retain its influence with Kabul through both economic and political means.

Following the Soviet withdrawal, we believe that Afghanistan will be unstable for a considerable period and have so advised policymakers. The

Soviet-backed regime has minimal control or support outside Kabul, and the withdrawal will make its position even more precarious. The Afghan resistance will continue its efforts to destroy what is left of the regime. However, the ruling party's fragmentation may be as large a factor in the regime's collapse as the military initiatives of the resistance.

The post-Soviet period will probably find the Afghan rebels fighting among themselves -- as they did throughout the Soviet occupation -- for political power in Afghanistan. Given that most ethnic groups are better armed than ever before and are likely to capture additional weapons from the disintegrating Afghan army, we would expect to see tribal conflict continue for some time after the Soviet withdrawal.

The United States cannot dictate or materially influence who will finally emerge as the leaders in Afghanistan. A strong central government is unlikely, and residual hostility to the Soviets may eventually be matched by some historical suspicions about the West. The good news in all of this for us is not so much what has been gained, but what has been averted.

The fundamentalist groups of the Afghan resistance will enter the post-Soviet era well armed and well organized. Whatever the composition of a future government in Afghanistan, Islamic ritual and law will probably play a larger role in its operations and policies. But the nature and traditions of Afghanistan make the imposition of a Khomeini-style fundamentalism unlikely.

Clearly, the Soviet withdrawal and the struggle for political control are the primary intelligence issues in Afghanistan for the near term. But efforts by neighboring countries to exert influence in Afghanistan will also receive our attention. In the longer term, we will examine the future government's

attempts to rebuild the country and resettle the world's largest refugee population -- more than five million people.

About three million of those refugees now live in Pakistan, a country that has fully supported the Afghan resistance. Pakistan has always been of strategic interest to U.S. policymakers, but the death of President Zia in a plane crash last month raises new issues.

The initial response to President Zia's death has been a smooth, constitutional transition. Ghulam Ishaq Khan, the President of the Senate, has taken over as Acting President. Under the Constitution, a new president must be elected within 30 days after Parliamentary elections. Ishaq Khan has announced that the elections set for November 16th will be held on schedule.

Because of the closeness of our relationship and the strategic importance of Pakistan, naturally, the U.S. Intelligence Community will be following these developments with the keenest interest.

Another region of great strategic interest for the United States is the Persian Gulf -- an area where tensions remain high despite the cease-fire between Iran and Iraq. Although we are encouraged that the two nations are holding peace talks in Geneva, these negotiations are likely to be protracted and difficult. Both countries have sharply divergent views about the way the talks should proceed and the key issues involved. The animosities built up over eight years of bitter conflict will not suddenly disappear.

The Iran-Iraq war cost the two countries more than 350 billion dollars, and even more in human costs -- more than 1 million casualties and 1.5 million refugees. This war was one of the bloodiest of the century, and it will take many years for the two nations to recover.



The war has affected nearly every aspect of economic life in Iran and Iraq. The loss of oil revenues -- the primary source of foreign exchange and economic growth in both countries -- has dragged both economies down. Large-scale arms purchases have also weakened both economies, and the costs of reconstruction will be a further drain.

Financing the war has virtually exhausted both states' financial reserves. Both countries have imposed strict austerity measures and cut economic development programs.

We believe these costs of the war will deter both sides from resuming an all-out conflict anytime soon. However, Iran and Iraq continue to distrust each other and both will probably maintain their military readiness.

The U.S. Intelligence Community has closely followed the Iran-Iraq conflict, providing assessments of the intentions and capabilities of both sides as well as the implications for the region and the United States. When the U.S. presence in the Gulf was increased, we began providing daily tactical intelligence support to naval forces operating with the U.S. Central Command. Our support has included reports on Iranian antiship cruise missile sites, naval bases, airfields, and coastal defense installations. As a result, U.S. forces have been able to successfully carry out U.S. foreign policy and protect our security interests.

The end of the Gulf war has created a whole new set of intelligence questions which we are now addressing -- questions such as what effect the cease-fire will have on the Western hostages being held in Lebanon; how the political struggle in Tehran to succeed Khomeini will be affected; what impact the cease-fire will have on each country's drive for regional influence; and even the long-term impact of these developments on the cost of oil.

Perhaps the biggest question we are considering is what lessons Iran and Iraq -- and the rest of the world -- have learned from a war that involved the first sustained use of chemical weapons since World War I.

After the First World War, the use of chemical weapons was outlawed by signers of the 1925 Geneva Protocol. During World War II -- even during the most desperate battles -- both sides refrained from using chemical weapons -- weapons that Winston Churchill referred to as "that hellish poison."

The Iran-Iraq war ended that restraint and set a dangerous precedent for future wars. I'm sure you've read many accounts recently about the use of and the effects of chemical weapons. These weapons are thought to offer a cheap and readily obtainable means of redressing the military balance against more powerful foes. Some see them as the poor man's answer to nuclear weapons, and as many as 20 countries may be developing chemical weapons.

Mustard gas, a terrible weapon first used in World War I, is one of the favored agents for several reasons -- its relative ease of manufacture, its long life in storage and on the battlefield, and its ability to incapacitate those exposed to it.

Some countries are developing nerve agents. These agents, though more difficult to manufacture, can cause death in minutes by attacking the brain and nervous system. Other nations may use common industrial chemicals such as cyanide and phosgene. Cyanide prevents the blood from carrying oxygen, while phosgene, widely used in making plastics, can destroy the lungs.

The Intelligence Community will continue to monitor the ability of other countries to develop and produce chemical weapons. And with the increase of ballistic missiles in the Third World, we must be alert to attempts by Third World nations to arm these missiles with chemical warheads.

It also appears that the moral barrier to biological warfare has been breached. At least 10 countries are working to produce biological weapons. And this presents us with another intelligence concern.

Along with assessing capabilities to develop and produce chemical and biological weapons, we must make judgments about what could prompt foreign countries to use them. The United States supports international efforts to prevent the use of these weapons, including participation in the Geneva Conference on Disarmament, which is trying to negotiate a chemical weapons ban. The U.S. also restricts the export of certain key chemicals and ballistic missile technology. Intelligence support is vital to the success of these U.S. efforts.

For Israel, the spread of this capability among the Arab states -- principally Iraq, Libya, and Syria, represents a serious readjustment in this strategic balance of power -- and has major implications for prospects for a peaceful solution in the Middle East.

Assessing the proliferation of chemical and biological weapons and missile proliferation constitute some of the most difficult intelligence challenges we face -- now and into the next decade. Any pesticide plant can become, in a covert way, the producer of these deadly weapons. It is also one of our most important tasks, and we will continue to provide U.S. policymakers with accurate and timely information on this issue.

Another matter of great concern to the Intelligence Community is the threat posed by hostile intelligence services. I want to briefly mention this today, in light of the recent arrest in West Germany of former Army Sergeant Clyde Lee Conrad, who was charged with passing classified documents to the Soviet Bloc.

This case reinforces the fact that an effective counterintelligence program requires vigilance on both the defensive and the offensive fronts. First, we must protect sensitive information, technology, equipment, and personnel. Second, we must detect, monitor, and counter the actions of hostile intelligence services. As the Soviet Bloc intelligence services become more sophisticated, our counterintelligence measures must grow correspondingly stronger.

The Conrad case also points to the importance of tenacity and of close cooperation among the various agencies within the Intelligence Community. The FBI, the CIA, the Department of Justice, and Army counterintelligence worked together for over five years in the investigation that resulted in Conrad's arrest. In fact, most counterintelligence cases, including those that the public hears about, are the result of years of careful work.

Our machines, our systems, and our satellites are the wonders of the age. But intelligence is preeminently an affair of people. It is the caliber of the men and women of American intelligence -- their creativity, determination, brilliance, and courage -- that spells the difference between success and failure.

I hope that we continue to attract those best suited to carry out our mission -- people who are risk takers, but not risk seekers. People who are dedicated and responsive to our law and discipline. People who understand and play by the rules. People to whom fame and fortune are not a necessary part of their life, but who can find in this difficult work an avenue to pursue their highest aspirations for a safer and better world.

With such people, we can continue to provide the intelligence that policymakers need in order to make wise decisions in the interests of our national security. This is what you expect of us, what all Americans expect of us, and I can assure you we are doing our very best to supply it.

Thank you.