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Deputy Director of the CIA

Address
at the
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of the
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DEPUTY DIRECTOR JOHN N. MCMAHON: Association President Captain Sparks, General Roberts, officials of the Reserve Officers Association, honored guests, members of the Association, ladies and gentlemen.

I feel it is indeed a privilege and an honor to share a few moments with you this morning. Let me hasten to add at this point that I realize at nine o'clock in the morning the only thing worse than giving a talk is listening to one. So I'll be merciful, hopefully, to all of us. But I do feel privileged to appear before you, not because of myself and what I represent, but because of what you represent. The contribution which you make to the national security of our country, not only in the past, but also in the future, is critical. And I hope that you continue to be blessed with the vigor, the determination, and the dedication to carry on your most important tasks and goals. The security of our country can stand nothing less.

I would like to talk briefly how intelligence has evolved over the years, what we're faced with today, because indeed you are very much a part of that scenario. And you also, I trust, will be a part to the solution.

Right after World War II, the intelligence efforts of the United States were virtually a man-to-man defense against the Soviet Union, principally in Europe. And our job was to face the Soviets belly-to-belly and counter their every move. When they moved into labor unions, we moved in. When they went into church groups, we moved in. When they went into students associations, we moved in.

And I think the success of that effort is witnessed today in a free and vital Western Europe. We gave the Europeans the opportunity to make full use of the Marshall Plan so that today they can now enjoy democracy and freedom.

But as we looked at the Soviet Union in those days, we also realized they were up to something else, other than the political subversion which they attempted to spread around the world. And we were virtually blinded to what was going on in the Soviet Union. The only information we really had from the inside was that derived from photographs we captured from the Germans in World War II. And the plight of our insight into the Soviet Union was so bad that in 1953 General Eisenhower, then President, formed a group of leading scientists, industrialists, and military leaders throughout the United States and asked them what we might do about it. And from their deliberations came the rather strained and courageous decision to build and fly the U-2. And through the genius of Kelly Johnson and his marvelous skunk works at Lockheed, the U-2 went from concept to drawing board in nine months, and a year later we were overflying the Soviet Union.

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And while that began to give us a vista into the Soviet Union, it also gave us [unintelligible]. Because we realized then what the Soviets were up to. And indeed, under Khrushchev, they had decided to build a strategic capability second to none. And today we face 2500 strategic nuclear delivery systems in the Soviet Union and in their subs at sea.

And after Khrushchev we had Brezhnev, now somewhat content at the success that the Soviets had with its strategic developments, now moved in to build an enormous conventional military capability. And under Andropov today, that continues.

But we see a little different dimension in the Soviet Union today. It is not simply content to worry about the Soviet Union and the Warsaw Pact and the little states around it. It is now moving out worldwide. And if you just stop and think of what has happened in the past ten years, you can witness that in 1970 the Soviets had some degree of influence or control over 25 nations in the world. Today that number is 50. And if you look at the globe and witness the choke points, you see the Soviets or Soviet surrogates.

We've got Vietnam controlling the Molucca Straits and the Indian Ocean on that side. And what happened to those critics back in the Vietnam days that scoffed at the domino theory? What did they say after South Vietnam fell and after Laos and after Cambodia? And what are they saying today when Vietnam shells rain into sovereign Thai territory in pursuit of the Cambodian insurgents? And what did they say when the Soviets moved into Afghanistan? Something which they had coveted to do for over a hundred years. And today they're there with 105,000 combat troops. And unfortunately, they're mired up to their tails with the insurgents there.

But look elsewhere, how the Soviets tried to move into Somalia, got kicked out, and moved into [unintelligible] and moved out of there. But now they sit in [unintelligible], where they can control the Suez Canal. Through [unintelligible], their Cuban surrogates are in Angola. And through their friends the Libyans, they continue to cause trouble in Morocco which threatens the Gibraltar Straits.

And then come around to our own backyard and see what's happened in Cuba and the huge military complex and base that the Soviets enjoy there. And now they've reached into the mainland of North America in Nicaragua.

And if you speak of the domino theory in Central America and think of what happens if Salvador falls, then Guatemala,

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Honduras, Costa Rica, and Mexico. Some of those Vietnam critics are still squawking today. And one wonders why.

The [unintelligible] time and attention that we spend on the Soviets and their military aggression, we also wonder at their economic plight. How can that nation continue to do what it does. In the last 15 years it has doubled in real dollars its defense efforts. One-eighth of its gross national product goes into military expenditures, an amazing feat.

And then you worry about the Soviet politics. And we watched Andropov come to power, and we see him solidifying his position in life. We see the rise of Ustinov, the Minister of Defense. And it's obvious that the Soviets are not changing their stripes at all.

But quite apart from the Soviets, we look elsewhere in the world and we see troubled times. Of course we have the continuing regional problems, the Mideast. But there's another dimension now in the Mideast. The lowering of the oil price brings a certain dynamics that can create a tremendous instability throughout the Mideast. The Saudis had staked a number of nations for years in economic development, and they continue to do that, and they continue to put $27 million into Iraq to save Iraq from the Iranian war. But what happens if the Iranians do succeed in Iraq? Could Kuwait be far away, or Bahrain, or Oman? And what will happen when the radical Shiah movement, which not only threatens the Persian Gulf area, but also Africa at large?

And then we turn to our friends today. Our friends are as much a problem as our enemies. Look what has happened now that Japan has reached a technological equilibrium with us, as has Western Europe. Two things have happened. One, they are not only competitive with us for world markets, but they also do it a different way than we do. They don't quite agree with the free enterprise that our companies enjoy, or I should say suffer from. But they bring the might of their government to sponsor and support that trade worldwide. We have nations in Europe who are quite prepared to underwrite the R&D and the development of aircrft to compete with Boeing, Lockheed, and Douglas. And not only compete, but also continue to subsidize the production of their aircraft, and also bring the diplomatic might of those nations against other nations interested in trade so that they'll buy those aircraft, as opposed to American aircraft.

How many Detroits can we suffer? The Japanese have already put us on notice that they're coming after us in the computer world, and indeed they are. And it's not only the personal home-grown computers, but also the large-scale computers that can compete with Cray and CDC, supercomputers.

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And you look at robotics and what the Japanese have done there.

But as the technological excellence has grown in Japan and Western Europe, we have been threatened with the transfer of technology. And don't pass that off lightly. A little over a year and a half ago, we did a study of Soviet military systems and wondered how they got to where they are going. And we were able to see, essentially, not an evolution of technology, but rather large-scale jumps, where suddenly they were able to come up with guidance systems, with accuracies in gyros, precisions in bearings which no way they could devise themselves. And indeed, we found out they stole them.

And if you look at the military significant items in the Soviet arsenal, you find that about 80 percent of them came through technology transfer, illegal, either through illegal trade or through actual espionage operations.

The Soviets and their friends in Europe enjoy 30 companies right here in the United States fully owned by the Soviet Union or East Germans or Czechs or Poles. And you can imagine what a company in the United States can do when it writes to another company and says they want to buy this or buy that. And our export laws go to export, not to the acquisition here in the United States. And so it's quite easy for these Soviet firms to take that equipment, and it leaves this country as household effects or it goes through surrogate or bogus trading companies.

A little over a year ago we went to Europe to bring this message to the Europeans, and we realized to treat it as trade was wrong. There's a tremendous drive in Europe to trade with the East, and we always bumped into the Europeans when we tried to impact on that. But our message was a simple one. It was not trade, it was a counterintelligence problem. And more than that, they were being robbed.

We looked and saw that the Soviets had the plans to the C-5A before it flew. The gyros and the bearings in the SS-18, the most powerful ICBM there is, came out of United States designs. They have a look-down [unintelligible] radar. Their radar in their AWACS is virtually ours. The range-finder, laser range-finders in their tanks was a United States product.

And somehow, this has to be stopped. And I must say that the nations of the world are beginning to focus on it. As you have witnessed in the last five or six months, some 90 Soviets have been expelled from countries because of their illegal and illicit activities in trying to acquire technology transfer.

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But on top of this platter of worrying about economic, this intelligence worldwide, worrying about the problems that the so-called lesser-developed countries face with enormous debts, ranging close to $600 billion, and the threat that that instability can bring to the world, we have some simple problems, such as terrorism, terrorism that today is focused on Americans.

Since we've been keep record over the last 11 or 12 years, there have been over 12,000 people killed or injured by terrorist acts. It was no surprise that last spring in Paris, at the Versailles summit, the American school was blown up, the American Express was blown up, and the Bank of America was blown up, all directed at Americans. And, of course, you have all witnessed the tragedy of the Beirut embassy.

And we are called upon to stem the tide of terrorism. And it was easy not too many years ago. When terrorism was conducted by large-scale organizations, we stood a chance of penetrating them. We always ran up to the problem of trying to get an individual who could get inside a terrorist organization. And we found that most organizations are highly compartmented. I am envious of the security that they instill in their people. If we get a person in the administrative side of a terrorist organization, he can tell us the who and the what, but he can't tell us when. If we get someone in an operational side, he can describe the operations for us. But then, because of the compartmentation, he has usually exposed himself. Or if not, it becomes his turn in the barrel. And, of course, we will not let any of our agents engage in activities that would bring harm and injury to anyone. So we have to pull him out and resettle him someplace, usually in an unhappy way.

But as you think of terrorism and the growth and the [unintelligible] against the United States, you also have to think of nuclear proliferation. And we can follow that quite easily when it comes to the telltale signs that nations must expose when they get close to testing a device. But now technology is such and so far spread that many nations can acquire the technology and also decide not to test, and thereby sit with a hidden capability.

And with this proliferation, what happens if a terrorist group does get ahold of a nuclear device? Of course, we have to constantly think and worry about the nuclear weapons that we have around the world and their security from attack and their acquisition.

As we worry about this problem now in the '80s, you have to look back at our [unintelligible] in the '70s. And what happened to the intelligence community in the 1970s? I'll tell you what happened. It was reduced 40 percent in its people and

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it was reduced 50 percent in the dollar resources available to it. And it's no wonder that we're almost starting from scratch to rebuild the capability. Fortunately, with the good grace of the present Administration, we are on the way back and we are building up our capabilities once more to address these problems which face us worldwide.

We also find that we have sophisticated policymakers who enjoy the word requirements. And the requirements continue to heap upon us, and no one bothers to erase one off the bottom. So let me assure you that intelligence today is a growth industry.

We're also faced with the problem that we [unintelligible] Congress, and it's called the Freedom of Information Act. Under the present law, we are obliged to search our operational files for any and all requesters, whether they be American citizens, whether they be Soviets, whether they be Ayatollah Khomeini. And our agents' files must be searched. And we, of course, have the privilege of exempting classified information. But can you think of the terror and worry that our agents go through knowing that someone can write in an FIOA request, and the agent's file is searched and subject to a clerical error where information could be released that would be the undoing of that source. And even though it may be just a perception on the part of the agent, he still worries and loses a lot of sleep.

And what we have asked Congress to do is not to deprive the American citizens, or the Soviets, for that matter, on the information that we have of an intelligence relevance; but let us have the privilege and the liberty of not searching our agent files, so that we don't subject them to a loss.

As I speak of Congress, let me mention briefly oversight. Oversight is a very healthy process. It is good for the United States, it is good for American citizens, and it is good for the intelligence agencies. Just think what would have happened last April and May, when some congressmen and senators were making a lot of noise about us being in violation of law if, we didn't have those two committees of Congress who have shared with us our every doing and our every act. We'd have been hung out to dry once again, like we were in the late '70s. But because they had been with us at the takeoff and with us at every step of the way, we were protected.

So, responsible oversight is key and good, and I'm all for it. The emphasis is on the word responsible.

Before I leave you today with this thought of the awesomeness of the task before us, let me speak briefly about the people that we have coming into the agency. The young trainees

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that we bring in today are first-rate. They're not only talented and competent and dedicated, but they have an air of patriotism that is unique. It's not the patriotism derived from Pearl Harbor, but it's the patriotism of young people that feel they want to do something for their country, and they feel that intelligence is a good way of doing it. And we're very grateful for that, and you should be too.

Thank you very much.

[Applause]

Q: Sir, will you address what's coming out in the papers these days, the statements that if it weren't for the economic aid we have been giving the Soviets since 1917, they would have collapsed a long time ago?

MCMAHON: I think that if one looks at the pure statistics and evolution of life, one would have to agree with that. But the Soviets are a remarkable people, and you must respect that. They didn't enjoy the culture that came from the Roman Empire. They were a people that suffered under 250 years of Mongol rule, which have made them quite a hardy stock. And as a result, they know what suffering is, and they're quite prepared to suffer. And certainly over the last few years, the Soviets have tightened their belt every time they need to put more money into their military economy.

How long that will continue, I don't know. There is certainly a cloud on the horizon, as far as the Soviets is concerned. That not only comes from the economic pressure, but also the shift in the minorities. The minorities are growing. Their birthrates far excel those of the basic Russian. And as a result, that may start causing tugging and pulling within the various nationalisms that exist in the Supreme Soviet.

So, I think that the Soviets, while they're armed to the teeth, do have to worry a bit about their own backyard.

Q: Can't something be done to stem the tremendous flow of Soviet agents into this country? It is reported as overtaxing our capability to keep track of them.

MCMAHON: Yes, your absolutely right.

The question was, can something be done to stem the flow of the Soviet agents into this country that are overtaxing the resources and assets available?

The FBI, of course, has their hands full with this problem.

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We're torn in two ways. We're a free societ, an open society, and we want to continue to be that way. That's why you people exist the way you do and have given the service to your country, and that's because you do want it to be open. So we cna't draw a parallelism between what our people enjoy in the Soviet Union versus what they enjoy here.

But there is a great deal of attention in Washington. I believe that the bureaucracy has been energized to address this, and they're looking at what steps could be taken, such as requiring the Soviet officials to give advance notification when they travel, not permitting them to visit one contractor and then decide to visit every other contractor in the same city without further notification. So we're beginning to contain them that way.

I would say that we're making progress, but it's baby steps, not giant steps.

Q: What can you explain about Venezuela and Costa Rica?

MCMAHON: Well, Costa Rica is a very modest little country that has to stand in terror against what is happening in Nicaragua. It sees the threat from Nicaragua. Costa Rica does not have a military to defend itself, and therefore it is at the mercy of it's own democracy and those nations that are prepared to support it.

Venezuela is a very large country. It's about to undergo some political tugging there. It does have somewhat of an economic concern prompted by the drop in the oil prices.

But as far as I'm concerned, both those countries remain favorably disposed towards the United States and towards the policies that the United States would like to see come to fruition in Central America.

Q: [Inaudible]

MCMAHON: The question was, why does this country finance communist nations with grants and guaranteed loans?

I think the principle for [unintelligible] is twofold. One, trade is good for this country. But, two, it also permits a window into that country which may eventually cause a shift of that country towards the United States.

I think you see the principle focused today in the warming with China, which began years ago. China remains very much a communist nation, in every sense of that word; and yet it also affords us an opportunity to [unintelligible] that nation

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in the direction that's favorable to the United States. Or more explicitly put, it's a China card as far as the Soviets are concerned. The Chinese do tie up a great many Soviet divisions over in the Mongolian area and in Eastern regions of the Soviet Union which otherwise could be dedicated against the NATO forces.

And so I think it's good to keep a dialogue goingwith the Chinese.

Q: What truth is there to the reports and allegations that the KGB is orchestrating the nuclear-freeze movement?

MCMAHON: The nuclear-freeze movement does have a very genuine and original basis in the people of Europe without any manipulation from the Soviet Union. But what the Soviets do do is take advantage of that core of people who are concerned about the nuclear situation in the world, and manipulate and push it and fund to orchestrate it in the directions that the Soviets want to go. And you see a great deal of evidence that the Soviets have done that. We saw them put the equivalent of over a hundred million dollars in Europe just to thwart the neutron bomb. We see a tremendous move afoot through all kinds of, quote, peace organizations in Europe to stem the deployment of the Pershing IIs and the GLCMs.

But the Europeans, for some reason or other, seem quite disposed, when it comes to those that are involved in the freeze movements, to accept the Soviets' deployment of nuclear weapons in their backyards, such as the SS-20s, and yet want to turn against the United States' desire to put Pershing IIs in to help them counter that threat. And I can never understand that logic.

But the peace movement is there. And while there are genuine roots, the Soviets capitalize on it considerably.

Q: With regard to Central America and the parallel with the Vietnam era, are we seeing more groups being formed on the college campuses supporting the theory that the Soviets are pushing for a unified Central America versus the United States [inaudible]?

MCMAHON: Well, I don't think it has reached the level on the college campuses. The debate seems to center around the Congress and the New York Times and the Washington Post.

[Laughter and applause]

MCMAHON: But I'm optimistic because the communist movement in Central America is so flagrant and so open that if people really examine what's going on there, they have to come to the right conclusion.

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Thank you very much, and good luck to you.

[Applause].

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