

RSM ✓

DCI REMARKS TO
PACIFIC UNION CLUB
2 APRIL 1984
SAN FRANCISCO, CALIFORNIA

DELIGHTED FOR OPPORTUNITY TO SPEAK WITH YOU THIS EVENING. IN A VERY REAL SENSE, YOU REPRESENT MAINSTAY OF AMERICA'S TECHNOLOGICAL PROWESS. TODAY, WESTERN WORLD FACES MOST FORMIDABLE MILITARY CHALLENGE EVER ENCOUNTERED -- THE SOVIET MILITARY MACHINE. IN ADDITION, A HOST OF OTHER CHALLENGES TO OUR NATIONAL SECURITY -- STATE-SUPPORTED TERRORISM, NUCLEAR PROLIFERATION, DRUG TRAFFICKING, SOVIET AND CUBAN SUPPORTED INSURGENCIES. WILL TAKE COMBINED EFFORTS OF BOTH PUBLIC AND PRIVATE SECTORS TO DEAL WITH THESE PROBLEMS.

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12-03-2008

WOULD LIKE TO SET....

WOULD LIKE TO SET THE STAGE FOR OUR DISCUSSION BY LOOKING TO FUTURE. TO OUTLINE BROAD INTERNATIONAL TRENDS WHICH WILL EFFECT OUR SECURITY AND WILL CHANGE GLOBAL ENVIRONMENT FOR BUSINESS.

SOVIET UNION WILL REMAIN PRIMARY THREAT. MILITARY BUILDUP CONTINUES RELENTLESSLY. CURRENTLY SPEND 14 PERCENT OF GNP ON DEFENSE. TWICE AS MUCH AS WE DO. IDENTIFIED MORE NEW SOVIET WEAPONRY IN FIRST THREE YEARS OF 1980s THAN THROUGHOUT 1970s. LAST YEAR, PRODUCED THREE TIMES AS MANY TANKS, FIVE TIMES AS MANY COMBAT INFANTRY VEHICLES, TWO TIMES MISSILES AS U.S.

MOSCOW'S GEOGRAPHIC EXPANSION OF....

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MOSCOW'S GEOGRAPHIC EXPANSION OF POWER IN A MERE DECADE UNPRECEDENTED. ESTABLISHED PRESENCE IN STRATEGICALLY IMPORTANT AREAS OF WORLD.

POSITIONED NEAR SHIPPING LANES OF STRAIT OF HORMUZ AND THE BAB EL MANDEB, OTHER SIDE OF ARABIAN PENINSULA. PROVIDE ARMS TO SYRIA, IRAQ, ETHIOPIA, AND THE YEMENS. HAVE OVER 100,000 COMBAT TROOPS IN AFGHANISTAN.

ACCESS TO AIR AND NAVAL FACILITIES IN VIETNAM. ENHANCES PRESENCE IN SOUTH CHINA SEA NEAR SEA LANES TO SUPPLY JAPAN WITH OIL.

ESTABLISHED MILITARY AND ECONOMIC....

ESTABLISHED MILITARY AND ECONOMIC PRESENCE IN AFRICA. ARMS SUPPLIED TO ZAMBIA, MOZAMBIQUE, AND TANZANIA. CUBAN TROOPS IN ANGOLA AND ETHIOPIA. SUPPORTING NATIONAL LIBERATION MOVEMENTS IN NAMIBIA AND SOUTH AFRICA. AREAS WHICH PRODUCE STRATEGIC MINERALS.

CREATING MISCHIEF IN OWN BACKYARD IN CENTRAL AMERICA. BACKING CUBAN ATTEMPTS TO BOOST RADICAL GROUPS TO EXPLOIT INDIGENOUS SOCIAL AND ECONOMIC TROUBLES. 8,000 CUBANS, INCLUDING 2,000 MILITARY ADVISORS IN NICARAGUA. AT WORK IN ^{STOP!} HONDURAS, COSTA RICA, AND GUATEMALA.

SOVIET LEADERSHIP SUCCESSION NOT....

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SOVIET LEADERSHIP SUCCESSION NOT SOLVED. WHOLE LEADERSHIP STRUCTURE UNDERGOING A GENERATIONAL SHIFT. LEADERS FROM STALINIST PERIOD DYING OFF. NEW LEADERS MORE USED TO IDEA OF SOVIET UNION AS SUPERPOWER; TRAVELED MORE; BETTER INFORMED ON FOREIGN AFFAIRS. BUT MISTAKE TO THINK TRANSLATES INTO LESS ADVENTURISM OR MORE LIBERAL DOMESTIC POLICIES. CHERNENKO INHERITS SAME POOR ECONOMY. MORE INCLINED TO MUDDLE THROUGH THAN TACKLE BASIC REFORMS. ESTIMATE ECONOMY WILL ONLY GROW BY 2 PERCENT THIS DECADE.

SOVIET ECONOMIC GROWTH UP SLIGHTLY. ESTIMATE GNP INCREASED 3.0-3.5 PERCENT LAST YEAR COMPARED WITH 2.6 PERCENT (1982) AND 2.1 PERCENT (1981). OWED MUCH TO LAST YEAR'S RETURN

TO NORMAL WEATHER, BOOSTING....

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TO NORMAL WEATHER, BOOSTING FARM PRODUCTION. VALUE OF SOVIET IMPORTS UP 5 PERCENT (1983); VALUE OF EXPORTS UP ABOUT 7 PERCENT (1983). PRIMARILY BECAUSE INCREASED TRADE WITH COMMUNIST COUNTRIES. BOOSTED OIL EXPORTS LAST YEAR; RESTRICTED GROWTH OF IMPORTS; INCREASED ARMS DELIVERIES TO THIRD WORLD. SOVIET NET HARD CURRENCY DEBT REMAINED ABOUT \$10 BILLION.

OTHER MAJOR INTERNATIONAL TRENDS:

WORLD ECONOMIC PIE EXPANDING MORE SLOWLY AND DIVIDED AMONG MORE PEOPLE. WORLD FUSING INTO ONE GLOBAL ECONOMIC SYSTEM. 25 PERCENT OF GOODS PRODUCED NOW TRADED ACROSS NATIONAL BORDERS.

GOVERNMENTS HAVE BECOME ECONOMIC.....

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GOVERNMENTS HAVE BECOME ECONOMIC POWERS IN OWN RIGHT. PERHAPS MOST FAR-REACHING CHANGE OF ALL -- THIRD WORLD, ESPECIALLY ASIA, BLOSSOMED AS ECONOMIC FORCE TO BE RECOGNIZED. EXPORTS OF MANUFACTURED GOODS FROM THIRD WORLD DOUBLED LAST DECADE. LAST YEAR 34 PERCENT OF OUR IMPORTS FROM ASIA.

THE PACE OF TECHNOLOGY CHANGE WILL DIRECTLY AND INDIRECTLY AFFECT NATIONAL ECONOMIES, MILITARY CAPABILITIES, AND GOVERNMENT POLICIES. TECHNOLOGY DIFFUSION WILL CONTRIBUTE TO ECONOMIC STRAINS WITH OUR ALLIES. POSSIBLE WEST EUROPEAN GOVERNMENTS INTRODUCE NEW TRADE BARRIERS TO LIMIT UNEMPLOYMENT AND SUPPORT

DOMESTIC HIGH-TECH BUSINESSES.....

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DOMESTIC HIGH-TECH BUSINESSES. ESTIMATE AS MUCH AS 1.6 PERCENT OF LABOR FORCE IN WEST GERMANY, FRANCE, UNITED KINGDOM, AND U.S. COULD BE DISPLACED DUE TO INDUSTRIAL AUTOMATION.

SPREAD OF TECHNOLOGY ALSO MAKES IT EASIER FOR MORE COUNTRIES TO PRODUCE SOPHISTICATED WEAPONS AND MILITARY COMPONENTS. RELATIVE DEMAND FOR SOME PRIMARY COMMODITIES WILL DRIFT DOWNWARD. MEANS SLOW GROWTH IN SOME THIRD WORLD COUNTRIES.

THIRD WORLD RAPID POPULATION GROWTH WILL CONTINUE. THREAT OF INCREASING MIGRATION OR LOCALIZED WARS. SPECIAL CONCERN FOR

U.S. - MEXICO. BY YEAR....

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U.S. - MEXICO. BY YEAR 2000 COULD HAVE BETWEEN 110 AND 126 MILLION PEOPLE. POPULATION DENSITY WOULD BE BETWEEN 55 AND 64 PEOPLE/SQ. KILOMETER COMPARED WITH 29/SQ. K. IN U.S. INCREASING BORDER PROBLEMS LIKELY. ANNUAL FLOW COULD BE WELL OVER 2 MILLION.

OTHER COUNTRIES WITH SERIOUS POPULATION PROBLEMS - KENYA AND SYRIA. POPULATIONS WILL DOUBLE BY YEAR 2000. WATER AND FOOD SHORTAGES ESPECIALLY CRITICAL IN SUB-SAHARAN AFRICA, PER CAPITA FOOD PRODUCTION FALLEN MORE THAN 20 PERCENT IN LAST SEVERAL YEARS. RIPE FOR SOVIET SUBVERSION.

TERRORISM HAS, UNFORTUNATELY.....

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TERRORISM HAS, UNFORTUNATELY, BECOME AN INTERNATIONAL FACT OF LIFE. U.S. CITIZENS PRIMARY TARGETS. 450 KILLED SINCE 1968. MOST WORRISOME DEVELOPMENT -- SOME COUNTRIES, ESPECIALLY IRAN AND SYRIA, USING TERRORISM AS AN ACCEPTED METHOD OF ACHIEVING NATIONAL GOALS. MORE THAN 60 CAMPS AROUND WORLD TRAINING TERRORISTS ALONG WITH INSURGENTS. U.S. MILITARY PERSONNEL MOST FREQUENT VICTIMS. NEXT ARE AMERICAN DIPLOMATS AND BUSINESSMEN. HAVE REAL CONCERN TERRORISTS MAY BRING THEIR WAR TO MAINLAND U.S. OUR TASK IS TO TRACK AND INFILTRATE THESE GROUPS. DANGEROUS AND DIFFICULT. MOST

TERRORIST GROUPS ARE SMALL.....

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TERRORIST GROUPS ARE SMALL, CLOSELY KNIT, HIGHLY MOTIVATED, AND EMPLOY INCREASINGLY SOPHISTICATED SECURITY PROCEDURES.

COULD DISCUSS MANY, MANY ISSUES. BUT ONE SHOULD BE OF PARTICULAR CONCERN TO YOU AS BUSINESSMEN -- TECHNOLOGY TRANSFER. WHO PROVIDES THE R & D, THE TECHNOLOGICAL GENIUS BEHIND THE MASSIVE SOVIET MILITARY BUILDUP? -- WE DO. END UP FIGHTING OUR OWN WEAPON SYSTEMS. WE DESIGN THEM, SOVIETS STEAL THEM; WE HAVE TO INVENT SOMETHING NEW TO COUNTER OUR OLD SYSTEM. DEFENSE BUDGET GETS BIGGER; WE ALL PAY MORE TAXES.

FEW STARTLING EXAMPLES:

* SOVIETS HAD PLANS TO.....

- * SOVIETS HAD PLANS TO C-5A BEFORE IT FLEW.
- * SOVIET TRUCKS USED IN AFGHANISTAN CAME FROM A PLANT OUTFITTED WITH 1.5 BILLION MODERN AMERICAN AND EUROPEAN MACHINERY.
- * PRECISE GYROS AND BEARINGS IN THEIR SS-18 ICBM ARE OURS. SO IS RADAR IN THEIR AWACS.
- * LIST GOES ON AND ON.

SOVIET TECHNOLOGICAL ACQUISITION PROGRAM IS MASSIVE, WELL-COORDINATED, AND PRECISELY TARGETED. CAN ENCAPSULATE OUR INTELLIGENCE FINDINGS IN SINGLE SENTENCE: THE ABILITY OF THE

SOVIET MILITARY-INDUSTRIAL COMPLEX....

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SOVIET MILITARY-INDUSTRIAL COMPLEX TO ACQUIRE AND ASSIMILATE WESTERN TECHNOLOGY FAR EXCEEDS ANY PREVIOUS ESTIMATES.

LATE 1970s. SOVIETS GOT ABOUT 30,000 SAMPLES OF WESTERN PRODUCTION EQUIPMENT, WEAPONS AND MILITARY COMPONENTS, AND OVER 400,000 TECHNICAL DOCUMENTS BOTH CLASSIFIED AND UNCLASSIFIED. MAJORITY OF U.S. ORIGIN.

HOW DO THE SOVIETS GET SO MUCH OF OUR TECHNOLOGY? COMB THROUGH OUR OPEN LITERATURE, BUY THROUGH LEGAL TRADE CHANNELS, RELIGIOUSLY ATTEND OUR SCIENTIFIC CONFERENCES, AND ENGAGE, OF COURSE, IN ESPIONAGE. SEVERAL THOUSAND SOVIET BLOC COLLECTION

OFFICERS AT WORK IN....

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OFFICERS AT WORK IN U.S., WESTERN EUROPE, AND JAPAN. FIRMS IN SILICON VALLEY AT TOP OF LIST. ESPECIALLY SMALL, HIGHLY INNOVATIVE COMPANIES IN COMPUTER AND MICROELECTRONICS FIELD. SUCH FIRMS SECURITY PROCEDURES MAY BE INADEQUATE TO PROTECT AGAINST PENETRATION.

INCREASINGLY USING SOPHISTICATED INTERNATIONAL DIVERSION OPERATIONS. 300 COMMUNIST COUNTRY-OWNED FIRMS OPERATING FROM 30 COUNTRIES. MOST DIVERSIONS OCCUR BY WAY OF WESTERN EUROPE. WHY WE ARE WORKING HARD TO ENLIST HELP OF EUROPEAN ALLIES.

HAS BEEN MAJOR CRACKDOWN....

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HAS BEEN MAJOR CRACKDOWN AGAINST KGB AND ITS MILITARY COUNTERPART, GRU. IN 1983, OVER 100 SOVIETS WERE EXPELLED FROM 16 WESTERN COUNTRIES FOR ESPIONAGE.

WITH SUPPORT OF ADMINISTRATION AND CONGRESS BUSY REBUILDING INTELLIGENCE COMMUNITY TO COPE WITH ^{STOP} THESE CHALLENGES. BUDGET CUTS IN THE SEVENTIES. PAST THREE YEARS BUDGET INCREASES OF SOME 15 TO 20 PERCENT A YEAR DEPENDING ON WHICH AGENCY YOU TALK ABOUT. HIRING MORE PEOPLE. SHORING UP BADLY NEGLECTED SUPPORT SYSTEMS.

IMPROVED QUALITY AND TIMELINESS OF OUR ANALYSIS. DDI REORGANIZED FOR MULTIDISCIPLINARY APPROACH. STRENGTHENED TIES

BETWEEN POLICYMAKER AND ANALYST....

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BETWEEN POLICYMAKER AND ANALYST. LAST YEAR 50 ESTIMATES; 25 OTHER INTELLIGENCE COMMUNITY ASSESSMENTS; 800 OTHER RESEARCH PROJECTS. NEW SPIRIT OF COOPERATION IN INTELLIGENCE COMMUNITY. NEW COMMITMENT TO MAKING SURE ALL HYPOTHESES AND ALTERNATIVE CONCLUSION HEARD. REACHING OUT MORE TO UNIVERSITIES AND THINK TANKS.

MORALE IS HIGH. GREATER PUBLIC ACCEPTANCE. 150,000 EMPLOYMENT INQUIRIES LAST YEAR.. HARNESSING COMPUTERS TO COPE WITH GREAT INCREASE IN QUANTITY OF INFORMATION.

THANK YOU. I LOOK FORWARD TO OUR DISCUSSION.