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About 100 years after this Country of ours declared its independence, the body of General George Armstrong Custer was found in July 1876, by a then little known stream called Little Bighorn. Custer was quite dead--the result of poor intelligence, poor judgment and, some say, his own arrogance. Some hundred years later, we cannot afford to provide poor intelligence or poor judgment to our national leaders, and we certainly have no basis for arrogance. There is indeed a startling array of things we need to keep close tabs on that requires constant high vigilance and a constant increase in resources to cover the territory.

The Soviet Union, as you all know, is the Intelligence Community's number one priority; and high on everyone's list is the recent leadership changes. The absence of an organized procedure for succession makes evaluating power shifts a particularly uncertain business.

This is only the fourth time in 65 years of history that supreme power has passed from one leader to another, which in itself, is a remarkable thing. The speed with which Yuri Andropov assumed power suggests he had a powerful coalition behind him. His rise was backed by two of the strongest and most repressive state bureaucracies--the Secret Police and the Military. No

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leader appears to be in a position to mount a challenge to him as Party leader and he has moved quickly to establish himself as chief spokesman on foreign affairs, and he has the close backing and a long and intimate association with two of the most influential figures on the Politburo, Defense Minister Ustinov and Foreign Minister Gromyko.

We don't know with much confidence what to expect from this new leader. He gave some hints stressing arms control, demanding U.S. concessions on START and INF, talking anti-corruption, and giving every indication of an interest there and holding to the current economic plan or perhaps giving new emphasis to certain aspects of that plan.

What a new leader can do in the Soviet Union to change course is another question to which much attention has been given these days. It depends on his ability to keep intact the support and the coalition that put him in power. He owes political debts to Gromyko and Ustinov, leaders of independent stature who will have their own constituency and who will demand a share of power. The Politburo as a whole can and almost certainly will demand that no major decision be made without its approval.

Guns versus butter, the subject of my book in 1972 by the way, is an increasingly contentious issue within the leadership; and the economic challenges which face him are indeed formidable. Their agriculture has suffered four successive crop failures and there is a growing sense of malaise over the quality of life. Soviet society suffers from declining health standards. It is the only industrialized nation where the life expectancy for men is actually declining. Alcohol addiction and corruption are rampant. At best, we are quite confident the Soviet economy will only grow from 1 to 2 percent per year for the next several years.

The task of relighting the economy, we expect will get major attention. Some argue this requires focus on the consumer sector; others clamor for the increased investment in heavy industry. It appears that Andropov's closest ties have been to those who advocate and emphasize a need to modernize and strengthen the industrial base to do the job which both the consumer and state security will need over the years ahead.

While there is a propensity for a new Soviet leader to address consumer product shortages when he first takes command, over the long run, Andropov will probably find it politically necessary to place a high priority on satisfying

the military. Soviet centralized planning virtually guarantees a steady flow of resources to the military and it will be hard to interrupt and difficult if they wanted to shift gears--gears which in our view cannot be shifted quickly. Chiefs of civilian ministries find it difficult, if not dangerous to challenge the military's priority. Few officials are privy to the details of defense plans and budgets, thereby preventing a thorough scrutiny of programs or an open debate on priorities. Key military decisionmakers have long tenures. Minister of Defense Ustinov became a defense industrial manager in the 1930's.

The unrelenting buildup of Soviet forces since the early 1960s has been fed and sustained by a growing defense industry. The Soviet military-industrial establishment which we are now only beginning to measure and understand in a separate context now includes several hundred major R&D facilities and major final assembly plants as well as thousands of defense-related R&D and component or support facilities. Floor space at weapon production facilities is expanding more rapidly than at any time since the mid-1960s.

Nor have we seen any evidence of a reduction in Soviet defense spending despite declining economic growth. On the basis of observed military activity we expect defense

spending to grow through 1985 but the rate of growth is uncertain given the current weakness of the economy as a whole.

Over the last two decades, the Soviets have deployed well over a hundred major new weapon systems every ten years and there is no evidence this level of effort has abated. In conventional forces, we foresee the Warsaw Pact concentrating more on qualitative than on quantitative improvements in the 1980s with advances being made through more hard-hitting weapons and improved command and control. Nowhere are the stakes higher than in the European theater; but there Moscow does face serious problems with a declining birth rate and a growing proportion of politically unreliable non-Slavic troops. Recent events in Poland and elsewhere also raise the question of the reliability of their front-line East European forces and their wider communications.

Beyond that, the threat from the Soviet Union is much broader than the direct military threat. Perhaps this threat may be the more serious one. The Soviets view the East-West relationship as a total, all-encompassing struggle involving economic, social and ideological factors which they call "the correlation of forces." In the last seven years, the Soviets have used a mix of tactics--political, diplomatic, subversion,

terrorism and insurgency--to expand their influence and destabilize governments. It is a no-lose proposition because they can stay half-hidden in the background. Exploiting Third World social and economic discontents gives them a wedge into a country, a base to feed the malaise that fosters insurgencies and in this they work in concert with Cuba, and to some extent East Germany, Libya, North Korea, Angola, South Yemen, Ethiopia and Nicaragua.

While Cuba does not consider itself a Soviet surrogate, Moscow most assuredly does. Soviet economic aid alone to Cuba exceeds \$3 billion a year and there certainly is military aid on top of this running above half a billion dollars over the last 2-3 years. All told we estimate the Soviets provide Cuba in excess of \$1 per day for every man, woman, and child. The magnitude of this aid program virtually ensures Castro's continued support of Moscow-backed insurgencies or insurgencies in which Moscow is interested. Moreover, in general, Soviet arms deliveries to the Third World have steadily increased and have become an important part of hard currency for which the Soviets are today breathing hard.

Each of the 11 nations around the world faced with insurgencies backed by one of these forces happens to be close to the natural resources or to the sea lanes on which the

industrial world depends on at a choke point in the world sea lanes. As we know, Central America has been a particularly fertile ground. The Sandinistas' success in Nicaragua--with help from Cuba--provided the Soviets a foothold to expand their links with leftists in El Salvador, Guatemala, and Honduras; and we saw a Cuban-backed government wipe out the opposition by instant executions last weekend in Surinam.

All of this furthers a basic aim to undermine U.S. influence and to develop a revolutionary ferment in our backyard that will divert our attention and resources from more distant problems, perhaps sow divisions within the U.S. and its allies, and undercut our credibility in the Third World; and one would have to say those aims are being achieved today to at least a worrisome extent.

Another threat is the ability of the Soviet Union, largely through its intelligence arm, the KGB, to insidiously insert its policy aims into the political dialogue in the United States and other foreign countries. They are adept at doing this in a way that hides the Soviet hand. We see Soviet authored or inspired articles surreptitiously placed in the press around the world, forged documents created and distributed, international and local communist-front organizations, and clandestine radio operations, all employed

aggressively to erode trust in the United States as the leader of the free world.

Now these Soviet goals are difficult to counter; it is much easier to start and support an insurgency than to help defeat one. The fact is that it can be done, however, with concerted action. To me, El Salvador offers the best example. The success of the recent elections there in the face of a proclaimed intent to make free voting impossible was in large measure due to U.S. action to assist the El Salvadorans with fresh intelligence and in learning how to break up guerrilla actions before they could move into those provincial capitals and stop the voting. The result of this was that the world's television audience saw for the first time, in a minute's switch of the tube, the violent behavior of the guerrillas stopping the voting in one little city contrasted by the long lines of El Salvadoran citizens waiting patiently for long hours in the hot sun for their chance to vote.

So, to combat these low-intensity, low-key threats, we need a series of capabilities to combat false propaganda, the active measures. Our intelligence can identify forgeries and distortions, but to expose and rebut them, the private sector of the free world will have to carry much of this load. This is a challenge for everyone who believes in the value of a free

and open society to which generally the private sector has not adequately stepped up to.

I would like to turn now to the problems and prospects of the Intelligence Community itself in the context of these threats and concerns. Our intelligence gathering capability was drawn down in the 1970s with a 40 percent cut in funds and a 50 percent slash in personnel. Over the past two years we have been rebuilding these resources. We have started on a substantial increase in the number of human intelligence collectors, hired more analysts to address areas of new interest--the Third World, nuclear proliferation, international terrorism, insurgency, instability, and global resources. We have created there new analytical centers dealing with technology transfer, insurgency and political instability, and international terrorism. These centers take acute problems out of the run and mill of the organization and separate them for special cross-cutting attention to facilitate the integration of political, economic, and military analysis on rapidly evolving problems that have several dimensions.

Terrorism is a good example. International terrorism has become a growth industry. Terrorists have made American personnel and facilities their favorite targets. We were the targets of roughly one-third of all the international terrorist

attacks during the past 10 years. Almost 200 Americans have been killed by these attacks over that period of time. While one-half of these were victims of indiscriminate acts, the number of Americans and the frequency which it is done, singled out for assassination has steadily increased during the 1970s and reached new highs in the last couple of years. This is a system or threat which operates across international borders; it's highly organized; it has become big business; it needs financing for headquarters communications, documentation, the whole apparatus.

The Center for the Study of Insurgency and Instability established at the CIA seeks to provide advance warning of instability and the potential for destabilization to protect against the kind of surprise that General Pustay referred to in Iran. Even today there are lots of places where that could occur; and in the Intelligence Community we have prepared an annual national estimate looking at those countries where instability or an abrupt change of course of government would have strategic implications for us in order to establish a discipline of taking a close look at each of these countries on an annual basis. We also have them on a warning list which we look at weekly.

Shifting to another area of concern--leaks. Leaks of classified information are a continuing source of important and growing concern. They have reached epidemic proportions--more than 250 were reported and investigated in the Intelligence Community in 1981 with very meager results. The Government cannot afford to back away from this problem. It affects our ability to recruit assets overseas; demoralizes and lowers the morale of our personnel; causes us a loss in institutional effectiveness; and harms our national security.

The difficulties here we know all too well. Despite strong efforts on containment, confusion still persists in equating the whistleblower with the leaker. While the whistleblower can serve justice, the leaker serves only himself and his personal interests. Moreover, existing espionage laws do not lend themselves to legal sanctions. Legal action is often perceived as overkill; prosecution often involves the potential for disclosure of further classified information; and that is why so many of these investigations come to a grinding halt.

We are looking into new legislation focused explicitly on criminal penalties for unauthorized disclosure of classified information as well as the establishment of government-wide policy and regulations that would permit application of

administrative sanctions against leakers, including easier termination of employment where warranted. We did get passage this year of the Intelligence Identities Protection Act as evidence of this Administration's commitment and Congressional interest to stopping damaging disclosures, so that is the base on which we intend to build next year.

We are also looking into security indoctrination of all employees including appointed officials and are in the process of gaining interagency cooperation and joint action on pursuing leak investigations with greater vigor and determination. The CIA has a formalized prepublication review process for all current and former employees. Senior officials across all Agency Directorates thoroughly scrutinize manuscripts, fiction and non-fiction, to protect against the disclosure of classified information in that way. As members of the national security community, all of you are only too aware of how the cumulative effect of unrelated leaks can give our adversaries an edge in military strategy, even endanger the lives of our diplomatic or military officials stationed abroad. I always stress the importance I place on security for the Intelligence Community as a whole and assure you that we are allocating whatever resources we need to bring it under control.

I will now touch upon another threat so damaging that it can only be called a hemorrhage, and it relates to leaks in a way. Only about a year ago were we able to establish the degree to which the accuracy, the precision, and the power of Soviet weapons, which we are required now to counter with budget-busting appropriations, are based on our own R&D and Western technology generally to a far greater extent than we had ever dreamed.

Soviet defense plants routinely use Western R&D approaches, and our blueprints--obtained legally and illegally--to shorten weapon leadtimes, and even to develop countermeasures before we develop the weapons to which the countermeasures apply. For projects in the earliest stages of R&D, our stolen or purchased technology can shorten leadtimes of more than a decade needed to field a new weapon by two to five years. Soviet legal and clandestine efforts to obtain our technology have become larger, more sophisticated, and better managed. The Soviet political and military intelligence organizations, the KGB and the GRU, have for some 15 years been recruiting a hundred young scientific and technically trained people every year to target and roam the world to acquire technology for their military arsenal. The acquisition effort is likely to increase--we've seen signs that it's increasing now--to focus heavily on manufacturing technologies which

are needed to help overcome the economic malaise which now grips the Soviet Union.

The acquisition of Western microelectronics is one of the most striking examples of how they have resorted to espionage, bribery, covert or open purchases to build their military industrial base. Over the past decade, the ability to make high-quality microelectronic components has become, as you all know, increasingly important for missiles and precision-guided munitions, as well as modern airborne radar, fire-control, and electronic warfare systems. The Soviets have lagged in the required manufacturing knowhow and fabrication technologies. Their solution has been to acquire Western micro-electronics manufacturing technology and much of it has been clandestinely obtained.

The damage to our national security which results from this becomes all too obvious as we face the need to spend billions of dollars to defend ourselves against new Soviet weapons. Obviously, the Intelligence Community and the whole Government is going to have to devote the necessary resources to track these Soviet efforts. The magnitude of this problem is such that all concerned agencies--the FBI, the Defense Department, and State--will have to redouble their efforts and closely coordinate activities. To follow the reality of the

hemorrhage and to combat the loss of critical technology, we've established in the Intelligence Community a Technology Transfer Center to provide ammunition to other government agencies and to sensitize our scientists, engineers, and businessmen to the technology pickpockets, the dummy customers, and the forged papers routinely used to funnel sensitive technology and equipment behind the Iron Curtain.

The 40 percent drawdown in funding and 50 percent drawdown in personnel which I mentioned a while ago occurred during the seventies showed up most vividly in the national intelligence estimates which dwindled from an annual average of 50 in the late 60's, down to 33 in the early 70's and all the way down to an annual average of 12 in the 6 years from 1975 through 1980. This has been rebuilt as it has to be to cover the scope of threats and problems to which policymakers must address themselves and to which they need a careful, coordinated intelligence estimate. During 1981 we did 38 national estimates and we will do 60 or more during 1982.

The real value of this sharply increased number of estimates turns on their timeliness, on their relevance and quality.

We have instituted a new fast track system that can produce National Estimates on issues coming up for policy decision very quickly. Perhaps more important, we have taken steps to assure standards of integrity and objectivity, accuracy and independence, as well as relevance and timeliness in this process of formulating the national estimates. We do it in a relatively simple way. The chiefs of the various components of the Intelligence Community--DIA, NSA, State's INR, Army, Navy, Air Force, Marine Corps, Treasury, FBI, Energy--all sit on the National Foreign Intelligence Board and function as a Board of Estimates with each chief at the table charged with seeing that the information and the judgments coming out of his organization are properly reflected in the estimate. I'm responsible for formulating the estimate but I charge myself with seeing that all significant and substantiated judgments in the Community are reflected so that the policy decisionmaker does not get some sanitized, compromised judgment but the full range of specific judgments that prevail in the Community. I believe this process has eliminated a huge amount of lost time in seeking the compromise and in formulating sanitized conclusions everyone can live with and has also done a great deal to develop a new spirit of constructive collaboration among the component units of the Intelligence Community.

More on the drawdown that we've experienced. The strengthening and extension of our capabilities is being strongly supported. We completed a comprehensive review of the intelligence challenges we see for the rest of the decade, the adequacy of our current collection and analytical capabilities to meet them and what it will take to overcome those inadequacies. We have recently completed a similar review of the hostile intelligence threats, our present ability to counter them and the additional countermeasure enhancements that are required. We've made a good start on sizeable increases in the number of intelligence analysts-- CIA, DIA, NSA--across the board with particular emphasis on the third world, nuclear proliferation, international terrorism and global resources. We will be bringing in new technical capabilities to cover gaps in our technical collection. We started on this as early as 1980 and we're moving pretty well through '83 and we expect to complete our coverage of the major gaps if the budget stays on course during 1986.

Just one final thought--the Freedom of Information Act. It is ridiculous for us to be the only country in the world which gives anybody a license to poke into our files. The press gets annoyed whenever I talk about poking into files, but that is what it amounts to. We are not calling for the total repeal and we're not asking for exemption from the

Privacy Act, which gives all Americans the right to get information about themselves. But we should not be compelled by law to search thousands of documents for materials which we know in advance are not releasable; and most of all we should not be subject to the perception which prevails around the world with other intelligence services or people who want to help us, that we cannot assure them confidentiality. There are only two other nations which have an FOIA--Australia and New Zealand--and both of them exempt intelligence agencies and that is what we are going to seek and should have.

One final example of the kind of absurdity of this situation we face. Just recently the Iranian regime--the same government that held our people hostage--has recently filed a Freedom of Information Act request for all information the CIA has on the late Shah. This is a perfectly legal request. We have to treat it seriously; we have to respond; and sometimes the very response to these questions produces information which a clever intelligence service knows how to ask questions which would bring a response and whatever the response is they will be able to make some use out of it. So I think the final word will be to quote Justice Goldberg who said, "While the Constitution protects against invasion of individual rights, it is not a suicide pact."