

21 September 1983

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM: George V. Lauder
Director, Public Affairs Office

SUBJECT: Your Meeting with the World Affairs
Council of Northern California

1. Action Requested: None. Background information only.
2. Background:

a. You are scheduled to address approximately 30 members of the World Affairs Council of Northern California in the DCI Conference Room on Friday, 30 September. D/SOVA [redacted] will participate with you. During the week that the Council is in Washington and prior to their meeting with you, the Council will be briefed by representatives from the Department of Defense, State, NSC, foreign diplomats, House and Senate members, and non-governmental organizations. They will also be meeting with either Vice President Bush or Admiral Murphy of the Vice President's office. See attachment for identification of names and agencies.

b. As you indicated on the 20 July memo, you will give a 30 minute talk followed by 15 minutes of Q&A and dialogue. Attached are background topics proposed by the group from which you may wish to draw your remarks. You can then turn the group over to [redacted] at about 10:45 a.m. and you need not remain. [redacted] will speak on the "Soviet Threat."

c. This delegation of the Council is composed of educational and financial leaders as well as professional people from the Bay area east to Sacramento. We have told [redacted] that we prefer your remarks to be considered off-the-record so that they can be more informative and candid. As was discussed with a member of my staff with the assistant to head of the Council, there is no one connected with the media. We do not, however, have the final list of attendees and cannot verify at this point if

STAT

STAT
STAT

STAT

SUBJECT: Your Meeting with the World Affairs Council
of Northern California

someone is with the media. If media representatives do attend, they will be here in a private, not professional, capacity. As soon as we have this list, we will forward it to you.

d. After the members of the World Affairs Council have arrived, coffee and doughnuts will be served from 9:45-10:00 a.m. in the DCI Conference room. I will introduce you at 10:00 a.m. The meeting will end at noon. Members of the Public Affairs staff will be present throughout the session.

e. We do not plan to tape this session.

STAT



for George V. Lauder

STAT

cc:



Attachment

STAT Names and agencies of the people the World Affairs Council will meet with prior to their briefing with you and

State Department

Elliott Abrams, Assistant Secretary for Human Rights and Humanitarian Affairs

Chester A. Crocker, Assistant Secretary, Bureau of African Affairs

United States Arms Control and Disarmament Agency

Kenneth Adelman, Director

Paul Warnke, Former Director

Foreign Diplomats

Ambassador from France, His Excellency Bernard Vernier-Palliez

Ambassador from Japan, His Excellency Yoshio Okawara

China Peoples Republic Minister-Counselor (Political Affairs), Ji Chaozhu

Since Caspar Weinberger is in China and Under Secretary of State Eagleburger is at the United Nations, they will not be meeting with the Council as planned.

BACKGROUND TOPICS FOR

REMARKS TO THE WORLD AFFAIRS COUNCIL OF NORTHERN CALIFORNIA

30 September 1983

TOPICS

- I. Changes in the International System and the Impact
on Intelligence
- II. Intelligence and the Policy Process
- III. Rebuilding Our Intelligence Service
- IV. World Debt Problems
- V. Terrorism
- VI. Nuclear Proliferation
- VII. Soviet, Cuban, and Nicaraguan Activities in Central
America
- VIII. Technology Transfer
- IX. Soviet Active Measures

I. Changes in the International System and the Impact on Intelligence

°July issue of NEWSWEEK featured article titled "Even in Peacetime 40 Wars are Going On." Meant to shock and startle readers, majority of whom are probably unaware of multitude of violent disputes around world. But no surprise in the corridors of CIA where analysts must follow all developments around globe and assess their implications for U.S.

°Streak of wistful isolationism runs through our history. Sometimes we wish to close eyes and ears to conflicts in far-off places because believe or hope such violence will not affect us. At one time, not long ago, this was true. In 1933, a tribal war in Africa or Asia was of no consequence to U.S. Today might mean cut-off of a strategically vital mineral.

°War is only most extreme expression of international tension. Must follow dozens of international issues at CIA beyond comparatively basic job of monitoring and predicting wars.

°International system has undergone dramatic changes since 1947 when CIA was established. In post World War II

period, only U.S. stood at pinnacle of world power. Soviet Union was our only serious rival.

°Have since witnessed rise of many independent states as well as rise of significant nonstate actors, such as terrorist movements and economic cartels. Our economy now much more dependent and sensitive to international financial trends or to economic health of other countries.

°National security depends on coming to grips with complexities of this age. Result: Intelligence Community must monitor more and more issues beyond traditional confines of strict military and political analysis.

°Nations which pose no military threat to us but whose clout stems from possession of certain resources or from their geographic locale must now be watched carefully, as must regional rivalries with no direct U.S. involvement. Regional rivalries that explode into open warfare can cause severe international repercussions if conflict occurs in sensitive part of the world. Two present day examples are Iran-Iraq war and Libyan-Chad conflict.

°Rise of significant nonstate actors and complexity of present day international relations required us to expand

analysis to include what are called transnational issues -- terrorism, nuclear proliferation, technology transfer, and insurgency.

°Since these problems cannot be analyzed and understood by looking at merely one country or just one dimension of problem, have created new analytical centers at CIA such as Technology Transfer Assessment Center where economic, military, and political analysts are in daily contact, each providing unique perspectives on the issue.

°Because of variety and quantity of problems intelligence must follow today, also need even greater flexibility and diversity in collection systems. To be of real use, intelligence must be available to policymakers quickly if crisis about to erupt. Collection systems must also respond quickly to new and changing requirements.

°To rely on merely one type of collection operation such as overhead reconnaissance is to invite disaster. Importance of human intelligence, collection of information by intelligence officers stationed overseas, has not diminished despite technological advances in reconnaissance systems. Human intelligence still necessary to answer very tricky questions concerning intentions of foreign leaders.

II. Intelligence and the Policy Process

°Intelligence is the painstaking, often tedious collection of facts and then the clear evaluation of what those facts mean.

°High-quality analysis cannot be just background education if it is to be relevant. Our analysis must enrich a decision maker's understanding of key problems which affect our national security.

°Sometimes impact of intelligence on policy is immediate and dramatic as with recent Soviet shootdown of a KAL commercial airliner. Sometimes it may be years before our analysis on, for instance, world supplies of strategic minerals influences policy decisions.

°Intelligence must not only be accurate and relevant, it must be timely. It will not help President to learn of a coup in Africa the day after when he reads it in THE WASHINGTON POST. In our volatile, complex world, when new crises can develop overnight, it is a continuing struggle to meet all these requirements. But I think, for the most part, we are meeting these high standards.

°We produce wide variety of analytical products because our national leaders have variety of needs.

°A very short analysis written today on, for instance, fighting yesterday in Lebanon, is called current intelligence. We deliver one example of this kind of analysis called the Presidential Daily Brief to the President and a few others every morning.

°Some analysis takes long-range view of a problem. This is called estimative analysis. For instance, in our National Intelligence Estimates, we look ahead five, maybe ten years, and give our policymakers insight into important military, economic, political, or technological trends.

°We are always striving to establish a dialogue between those who produce intelligence and those who must use it. For it is in this give-and-take that issues are defined and intelligence refined.

°We have been helped in this task by fact that Bill Casey is the first DCI to have Cabinet rank. He sits in on Cabinet meetings and is privy to national policy decisions. This kind of access is of enormous benefit to Intelligence

Community. It helps us to more accurately pinpoint needs of our primary consumers.

°It is important that policy drives the intelligence machine. Periodically, SIG(I) of NSC meets under chairmanship of DCI. The purpose is also to get requirements and priorities of policymakers.

°Intelligence and policy are like two sides of a coin. They should be kept separate -- but not too separate. If they are each a separate coin, then intelligence people risk irrelevance. Policy people will pursue their concerns while intelligence people grind out studies of little interest anyone but themselves.

°Every week DCI also meets with Judge Clark, Assistant to the President for National Security Affairs, Secretary of Defense Weinberger, and Secretary of State George Shultz. Bill also debriefs CIA officers who take PDB to White House. This is but another means of learning what the President is interested in.

°Some of criticism of intelligence analysis is based on unrealistic expectations of what we can do. If one reduces all

intelligence analysis to just predictions and then looks for a 1000 batting average -- no intelligence service will measure up!

°We are interested in foreknowledge but we do not have a pipeline to God. Nor do we have a crystal ball. We can deal only in "probable" developments. But we should, and I believe we do, provide professional analysis which probes and weighs probabilities and presents a carefully selected range of possibilities.

III. Rebuilding Our Intelligence Service

°The decade of seventies was tough for intelligence. Intelligence Community underwent a 40% cut in funds and a 50% cut in personnel.

°Congress began our restoration with FY '80 budget. Congressional committees were so concerned about state of intelligence they gave us even more than the President requested.

°We have had budget increases, depending on which agency you talk about, of some 15% to 20% a year for past three years; now tapering off.

°What have we been doing with these increases? We have been hiring more people and shoring up badly-needed or neglected support systems. Some of you may have seen our advertisements which is an unusual recruitment method for us that has been very successful.

COMM
PROCESSING

°Intelligence Community's manpower is still about half of what it was in early seventies but that's O.K. Automation has helped and with end of Vietnam, our mission has been redirected.

°We have a new spirit of cooperation among various agencies that make up Intelligence Community, due in part to a renewed emphasis on making sure all hypotheses and alternative conclusions are heard. *Casey's note*

°NFIB is functioning as a Board of Estimates. Each Chief of the various intelligence agencies is encouraged -- indeed tasked -- to make sure conclusions and views of his organization are fairly and adequately represented.

°Our analysts are also inserting a range of possibilities into all of their analysis, hopefully better preparing policymakers to cope with a variety of outcomes to a problem or crisis.

°We are reaching out more to universities and think tanks, searching out new perspectives. We recognize intelligence organizations have no monopoly on truth. We are holding more joint conferences and encouraging our analysts to strengthen their school ties and to take additional courses.

°Congressional oversight is best protection we have. U.S. citizen is well-served by this process. The two Intelligence Committees of Congress are informed and are with us for takeoff on all our covert action programs.

°Our relationship with Senate Select Committee on Intelligence is excellent; but last year, unfortunately, House Oversight Committee began to divide along partisan lines. This causes us great concern because partisan oversight is no oversight at all.

°Covert action is, of course, a politically sensitive issue. Covert action is difficult because it's alien to our open society. But if we aren't occasionally willing to use it -- responsibly and with discretion -- then we are going to be in trouble. There are occasions when the President needs an option between open diplomacy or military force.

°Congress is also a huge consumer of our analysis. CIA briefers are on the hill talking with members and staff every day.

IV. World Debt Problems

°Major problem facing world economy today -- inability of many less developed and East European countries to repay debts.

°Amount of these countries' debt enormous. Combined medium and long-term debt grew from \$55 billion in 1970 to \$625 billion last year.

°Debt in and of itself not bad but becomes big problem when cannot be repaid. These countries debt service payments accelerated rapidly in late 1970s. Last year reached \$140 billion.

°At same time, ability of many of these countries to earn foreign exchange needed to repay loans deteriorated as prices for industrial raw materials and agricultural products fell rapidly beginning in 1980. Also in 1979 oil prices and interest rates sharply increased, and global recession decreased demand for Third World goods. In other words, they got less for what they had to sell and had to pay more for what they needed, such as loans and oil.

°In 1975, only 15 countries were listed by International Monetary Fund as behind in paying debts. In 1982 list had expanded to 34 countries behind almost \$19 billion.

°In the top-10 list of countries with serious debt problems are our southern neighbors: Brazil and Mexico lead the list, which also includes Argentina, Venezuela, and Chile. The total debt of Brazil is \$85 billion; Mexico is \$83 billion; Argentina is \$37 billion; Venezuela is \$34 billion; and Chile is \$18 billion.

°Crux of problem for U.S. is that costs of LDCs of paying off these debts means declining standards of living in these countries. Can easily lead to political and social instability and growth of radical movements.

°Have already been riots in Rio and Sao Paulo over economic conditions. Pace of illegal Mexican emigration to the U.S. has picked up since its financial problems deepened last year.

°Inability of these countries to honor repayment agreements could also have a negative effect on economic recovery in industrial world. LDCs have emerged as important customers for industrial nations' products, but financial

strains have forced them to curb imports, especially of U.S. goods. American commercial banks have major stake in debtor countries, especially in Latin America. By end of 1982, U.S. banks had lent almost \$100 billion to Latin America.

°U.S. government, in collaboration with other governments and banks, is dealing with debt readjustments on a case-by-case basis involving five elements -- debtors' internal economic adjustments, new commercial bank financing, government loans, IMF loans, and global economic recovery.

°For U.S. intelligence, task is to closely monitor these countries' economies as well as political and social repercussions of their financial difficulties to assess any adverse impact on our national security.

V. Terrorism

°On 18 April 1983, a pickup truck drove up to U.S. embassy in Beirut. Seconds later an explosion ripped apart central section of the seven story building. Over 100 people injured; 57 killed including 17 Americans. This is but latest tragic example of how terrorist groups increasingly threaten U.S. lives and property overseas.

°Our task is to track and, if possible, infiltrate these groups. Infiltration is not easy. Groups now using more sophisticated security procedures.

°A handful of countries -- Syria, Libya, Cuba, the USSR, East Germany, Iran, and South Yemen -- provide arms, money, and training to terrorist cells. Most worrisome development is that for some of these countries, terrorism is becoming an accepted instrument of state policy.

°U.S. citizens are primary targets of radical groups. About 200 Americans killed since 1968; about half victims of indiscriminate attacks; but more and more terrorists are specifically singling out Americans for assassination.

°In part, it is extreme envy for our standard of living; in part, because our freedoms and beliefs are anathema to those who support totalitarianism or anarchism.

°U.S. diplomats are most frequent victims but American businessmen are next likeliest target. U.S. firms have paid an estimated \$125 million in ransom over past 10 years.

°Most common type attack is a bombing. Have recorded nearly 4,500 such attacks worldwide since began keeping records about 15 years ago. Greatest number of terrorist attacks now occur in West Germany, Lebanon, Spain, and France.

°Concern in intelligence for this growing threat to U.S. lives and property reflected in fact we have established a new analytical center in CIA specifically devoted to tracking terrorist groups.

VI. Nuclear Proliferation

°Current conventional wisdom describes nuclear weapon systems almost totally in terms of the U.S. and USSR, but such a fixation already outdated.

°In future, a conflict in Asia might involve nuclear threats from Pakistan, India, and China, possibly even USSR and certain Arab states.

°As example illustrates, nuclear proliferation likely to become greater threat to stability of international system in general and to U.S. interests in coming years.

°Developing countries have greater access to nuclear material and weapons-related technology. More countries beginning to export nuclear materials. Brokers, skilled at circumventing government export policies, now specialize in discreet buying and selling of nuclear-related equipment.

°Time between making fissionable material and building a nuclear weapon has shrunk -- leaving U.S. less room for diplomatic action. Development of small nuclear forces is easier, even without nuclear tests.

°Developing countries banding together more often to resist new nonproliferation initiatives or strengthening of existing codes. Claim other problems such as U.S. - USSR disarmament must be addressed first.

°Besides our concern for long-term nuclear threat to our people, there are more immediate, destabilizing political effects when a nation considers developing nuclear weapons. Very fact that a state begins research and development can exacerbate regional tensions and strain our relationship with otherwise friendly countries.

°For example, in Latin America, our differences with Argentina's and Brazil's efforts to develop certain nuclear-weapons-related facilities and their unwillingness to sign Nuclear Proliferation Treaty could hamper U.S. efforts to restore our influence in region.

°Finally, threat of nuclear terrorism increases in direct proportion to nuclear proliferation. Increasing number of foreign facilities capable of producing nuclear materials expands potential sources for terrorists and increases the difficulty of refuting false threats.

VII. Soviet, Cuban, and Nicaraguan Activities in Central America

°Soviets do not want war--just the fruits of war.

°To accomplish this, Soviets have designed a low-risk, low-profile strategy that makes maximum use of surrogates to front for them, allowing the Kremlin to stay half-hidden in the shadows.

°It is a "clever" strategy that is particularly difficult for an open democratic nation like ours to counter. Any direct response by West conveniently condemned as imperialistic.

°Strategy at work today in our own backyard in Central America. Soviet theorists have not overlooked fact that strategically the Caribbean Sea and Central America form this nation's fourth border. Half of all of our foreign trade passes through either Panama Canal or other Caribbean sea lanes. Soviet control of these sea lanes could destroy our capacity to resupply Western Europe in an emergency and could tie our forces down on our southern border.

°During Vietnam War, critics of U.S. policy scoffed at domino theory. With the fall of South Vietnam, Laos and Cambodia, they should be less sanguine. All should be concerned about a similar process in Central America where border areas not clearly marked and where there is a history of inequities to fuel political violence.

°Cuba, backed by Soviet arms, money, and advisers, is using contacts nurtured over more than 20 years to provide political and military training, as well as propaganda support to violent groups intent on establishing Soviet and Cuban surrogate states.

°Extent of Soviet military aid to Cuba to help in Castro's quest is staggering. Soviet military deliveries to Cuba increased dramatically in 1979 to more than 65,000 tons by 1981 and continues at high rate today. Improvements to their armed forces and stronger Soviet-Cuban military ties have enabled Cuba to assume a more influential role in this hemisphere than its size or resources dictate. Soviet assistance to Cuba now totals more than \$8 million a day.

°Cuba's immediate goals are to consolidate control of Sandinista government in Nicaragua and, with their aid,

overthrow governments of El Salvador, Guatemala and later Honduras and Costa Rica.

°They move quickly to exploit any opportunity. Within a week after Sandinistas took over Nicaragua, 100 Cuban military and security personnel were in Managua. Today there are about 8,000 Cubans, including some 2,000 military advisers. These are supplemented by some 50 Soviet military and 100 economic advisers. Soviet personnel assisting the Sandinistan security services, even Nicaraguan general staff. East Europeans, Libyans, Vietnamese, and PLO personnel all active in Managua.

°Sandinistas engaged in a huge military buildup. Somoza's National Guard numbered about 9,000 before 1979 and about 15,000 at height of fighting. Sandinistas now have 25,000 regular troops and 50,000 in active reserve and militia forces. Have built 40 new military bases stocked with medium tanks, armored personnel carriers, and mobile rocket launchers, from the Soviet Union and Soviet Bloc nations.

°1979 was beginning of partnership between Havana and Managua in exporting subversion to rest of Central America. Partnership has resulted in building of numerous guerrilla training camps in Nicaragua, shipment of tons of weapons, and

establishment in Managua of a guerrilla command and control facility.

°One example of well-orchestrated arms shipments: On 15 March 1982, Costa Rican Judicial Police discovered a house in San Jose at which was hidden a cache of about \$500,000 worth of weapons, explosives, uniforms, and false visas. These were to be transported through Costa Rica to El Salvador by Nicaraguans in vehicles with hidden compartments. These arrests happen all the time.

°Guerrillas in El Salvador are using arms to go after economic targets, to try to force government into a static defense posture. Not been successful, to date, in either disrupting electoral process or in defeating government forces despite daily directions from Cuban and Soviet advisers.

°But struggle will continue because Soviets and Cubans are well aware strategic stakes are high. Economic costs also high. Production in Central America has plunged some 20% since onset of leftist guerrilla activity in 1979. In El Salvador alone, guerrilla attacks have cost government an estimated \$700 million. Vicious cycle begins to develop since stagnant economic conditions foster more violence.

°Soviets and Cubans believe that U.S. government and American people are unable to maintain a consistent policy of opposition. Would be naive to think they will be content with just Nicaragua or just El Salvador. Extreme leftist groups with Soviet and Cuban backing are already at work in Honduras, Costa Rica, and Guatemala.

VIII. Technology Transfer

°Modern warfare and modern weapons systems depend upon advanced technology: microelectronics, communications, computers, advanced metal-making equipment and so on.

°Soviet Union's economy inefficient, overcentralized, and suffers from a lack of innovation. So who provides the R&D, the technological genius, behind the massive Soviet military build-up? We do.

°A few startling examples:

- Soviets had the plans to the 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 SS-18 ICBM from U.S. designs.
- Radar in Soviet AWACs virtually ours.
- Starting with set of plans for U.S. Sidewinder Air-to-Air missile, Soviets built a copy, saving 7 years in R&D time.
- List goes on and on.

°Soviet appetite for U.S. and Western European technology is voracious. About 30% of technology requirements met by legal, open means such as subscribing to AVIATION WEEK or by attending international conferences. 70% to 80% of their technology requirements satisfied by illegal means, relying on their intelligence services.

clandestine

STAT

acquisition of Western technology has highest priority in KGB and its military counterpart the GRU.

°A national-level program approved at highest party and government levels. Now several thousand intelligence officers, under various covers ranging from diplomats and journalists to businessmen, dedicated solely to this effort.

°Soviets hide behind dummy trading companies or sometimes engage bona fide European firms as middlemen to obscure ultimate destination. More than 30 Communist country owned-U.S. chartered firms are in the U.S.; 300 in Western Europe.

°Since early 1970s, Soviet and East European intelligence services emphasizing collection of manufacturing-related technology, in addition to weapon R&D designs. Your famous Silicon Valley in California is favorite

target for acquiring semiconductors and computer manufacturing designs.

°Has also been an increased emphasis on acquiring brand new technology emerging from our universities and research institutes. Particularly distressing because our commercial sector's security precautions have traditionally been no match against hostile intelligence operations.

°Intelligence Community is redoubling collection and assessment efforts. At CIA, have established a new analytical center, the Technology Transfer Assessment Center, to improve our analysis. We then pass our intelligence to Justice Department, FBI, Commerce, and other government components.

°In policy arena, government also taking such measures as tightening export control and restrictions on activities of Soviet and East European nationals in U.S. Getting Europeans to put squeeze on Soviets by exposing their covert expansionism showing where they have been duped.

°Nations of world beginning to focus on this problem. In last six or seven months, some 100 Soviets have been expelled from countries because of their illegal attempts to steal technology.

IX. Soviet Active Measures

STAT

°Active measures is Soviet term for all operations aimed at influencing policies of other nations, as distinguished from intelligence. Includes what we would call covert action but is much broader. Refers to an orchestration, at the highest level, of all Soviet instrumentalities, overt and covert, in pursuit of worldwide Soviet objectives.

°Soviet active measures include: diplomacy, propaganda, agitation, disinformation, forgeries, clandestine radio, press placement, and political influence operations.

°Primary target is U.S. Common aim of influence operations is to insinuate Soviet views, in a nonattributable fashion, in foreign governmental, journalistic, academic, and artistic circles.

°Strategic objectives are to denigrate U.S., isolate it from its friends, influence public opinion against U.S. military programs and against CIA, and undermine political resolve of West to oppose Soviet encroachments.

°Soviet active measures in Western Europe well documented. In summer of 1977, Soviets initiated an intensive worldwide campaign against U.S. production of neutron bomb.

°Campaign in Eastern Europe faithfully mirrored Soviet effort. World Peace Council, a Soviet front, went into action. Staged incidents in Istanbul, Accra, Stuttgart, Frankfurt, Lima, Tripoli, and Tanzania. There followed media pickup in Western Europe. First came the "hack comment" from fronts and CPs. Second type of comment, and the far more important, was that of non-Communists situated politically in center or on left. Adverse editorial treatment given neutron bomb by this non-Communist journalistic sector was Soviets' real propaganda success.

°While Soviets initiated the neutron bomb campaign, more often they exploit something already there. Desire for peace is strong among all nations. When it becomes a "movement", Soviets will try to manipulate, to finance it. When it revolves around a controversial issue, particularly one with

military implications like modernization of theater nuclear forces in Western Europe, they really move in a massive arsenal of "active measures" to push issue in direction they wish.