

## CIA director Webster targets U.S. allies

*On Sept. 19, 1989, Director of Central Intelligence William Webster told the Los Angeles World Affairs Council that it was no longer the East bloc, but our allies who are now the enemy. Excerpts of his treacherous diatribe follow.*

. . . As the 21st century approaches, it is clear that economic considerations will play an even greater role in our relations with our allies and adversaries alike.

There is now a universal recognition that economic strength is key to global influence and power. Nations are adjusting, even reshaping their economic systems in order to compete in the global marketplace. And we are seeing three trends:

First, the Soviet Union, Poland, Hungary and other nations with centrally planned economies are recognizing the flaws of their systems and the need for reforms; Second, the world's financial markets are becoming increasingly integrated; And third, there is greater international focus on debt, trade balances, and technological development. . . .

The serious and ongoing economic problems in the Soviet Union have convinced President Gorbachov to undertake bold reforms. . . . One move that could eventually help and that greatly affects our security interests is Gorbachov's plan to cut defense spending. . . .

Over the past two years, Gorbachov has made a number of changes in Soviet national security policy that reduce somewhat the burden of defense on the economy. . . . [I]n January, Gorbachov said the Soviet Union's economic situation was so "acute" that his government would also have to consider reductions in military outlays. Two weeks later, in an address to the Trilateral Commission, Gorbachov announced that the military budget would be reduced by 14% and the production of arms and equipment by nearly 20%. . . .

The second major economic trend we are seeing is the further integration of financial markets. This financial integration is a revolutionary structural change in the global economy. Traditional distinctions have been blurred between domestic and international markets, between the different kinds of financial transactions, and between who is a market participant and who is not. . . .

This "globalization" of financial markets has created a highly fluid situation in which political and economic developments in one area are quickly and forcefully transmitted to the rest of the globe. . . . The first indications of breaking world events are often seen in the immediate movements of interest rates, exchange rates, and capital flows.

Even rumors can send markets reeling. . . .

During the next few years, U.S. policymakers will be looking at the impact of increased financial integration on world economic stability. They will also be looking at the ways in which the international financial system can be used by governments and groups whose objectives threaten our security interests. . . .

The other economic issues I mentioned—trade imbalances and technological development—illustrate a point that is becoming increasingly clear: our political and military allies are also our economic competitors.

Trade imbalances have focused attention on the trade barriers that exist in countries with which the United States has large trade deficits—particularly Japan and the newly industrializing countries in East Asia. Last year, our trade deficit with Japan alone reached \$52 billion.

[In] the 1990s, U.S. policymakers will be very interested in identifying protectionist measures and other impediments to reducing trade imbalances. They will be interested in the reaction of economic competitors to measures the U.S. may take to correct imbalances.

### High technology and national security

Perhaps the most formidable economic challenge we face in the next decade is in the area of high technology. Technological advances can revolutionize major industries in a few years or even a few months—an example of that is the impact microelectronics has had on the computer industry. And just as important as developing a new technology is bringing it to the marketplace quickly.

The national security implications of a competitor's ability to create, capture, or control markets of the future are very significant.

During the next few years, Japan and some of our other economic competitors will continue to make technological strides in high-tech industries in which the United States has long held the lead. Telecommunications and data processing are just some of the areas in which the Japanese and other industrialized nations are growing increasingly competitive. . . .

In high technology and in virtually every other economic area, U.S. policymakers will be increasingly focusing on where the playing field is not level as far as U.S. interests are concerned. They are looking at the strategies of our economic competitors, as well as the efforts by foreign governments to target markets and finance research, development, and production.

As the economic trends I have discussed today unfold, the connection between economics and national security will become even greater. The intelligence community looks at these developments from a strategic perspective, examining what is occurring, the forces at play, and the ways that actions taken abroad can directly and indirectly affect our national security interests. . . .