

*EO 1 Address to Y Group  
0730-0845; 14 FEB 79*

FEBRUARY 13 and 14 MEETINGS

*Terrace Room  
Wingate Hotel*

Y-GROUP ATTENDANCE

1. William C. Bartholomay - Frank B. Hall & Co., Inc.
2. Daniel T. Carroll - Gould Inc.
3. Donald Maggin - consultant
4. Al Somner - Wilmer, Cutler & Pickering
5. Dr. Edward David, Jr. - Exxon Research & Engineering Co.
6. Richard Borwick - Newmeyer & Associates
7. ~~Don Smylie - Exxon~~ *cancel*
8. Sam Pickard - Monsanto Chemical (breakfast only) *cancel*
9. William H. duPont
10. Richard Cummings (alternate for C. T. Fischer) - National Bank of Detroit
11. James William Fletcher - Attorney
12. Dr. Eugene Fubini - E. G. Fubini Consultants, Ltd (breakfast only)
13. Roderick M. Hills - Latham, Watkins, and Hills
14. Allan Cors (alternate J. R. Houghton) - Corning Glass Works
15. Edwin Heard (alternate T. Killefer) - United States Trust Co. of New York
16. Rene C. McPherson - Dana Corporation
17. Robert F. Magill - General Motors Corporation
18. Roger H. Morley - American Express Company *cancel*
19. Angus E. Peyton - Brown & Peyton - Attorney
20. Louis F. Polk, Jr. - Leisure Dynamics
21. Thomas A. Reynolds, Jr. - Winston & Strawn
22. Dean Overman - Winston & Strawn
23. Robert G. Stone, Jr. - West India Shipping Company, Inc.
24. A. Dean Swift - Sears, Roebuck and Co.
25. Alexander B. Trowbridge - Allied Chemical Corporation
26. Jack Estes - Allied Chemical Corporation
27. Dr. L. J. Colby - Allied Chemical Corporation
28. ~~Arthur Decio - Skyline Corporation~~ *cancel*
29. Carl B. Drake, Jr. - The St. Paul Companies, Inc. (cocktails; dinner only) *cancel*
30. Stanley W. Gustafson - Dana Corporation *Sp. Inv. Pres.*
31. John R. Hill, Jr. - Gifford-Hill & Company, Inc. *Chairman*
32. Hugh C. Lane, Jr. - The Citizens & Southern National Bank *Sp. Inv. Pres.*
33. Peter Lawson-Johnston

*See memo explaining all when  
572-838-3844*

1 Mar 79

Address to the Y Group  
0730, Wednesday, 14 Feb 1979  
Watergate Hotel, Washington, DC

You're probably about as up to speed on Iran as I am, because part of the problem last night was this attack on our embassy. And in accordance with that as you would appreciate, one of the things which we lose is communications and so we're really working on the press this morning. It does appear that just before I came here that things are quiet now. Very unfortunately it was apparently confirmed that one American marine has been killed in the activities around the embassy. Also, a second person has been killed. We are not sure if it was another marine or an Iranian employee. But it appears that pro Khomeini have retaken charge of the embassy against whatever this insurgent group was that seized our embassy. I think about 70 embassy personnel are holed up on the 3rd floor and have managed to survive fortunately, at least at this point. I think the significance of this over and above it being a very unpleasant-affair, is that as I see Iran today, we are at a stage of will a Khomeini government be able to take charge. They have got this authority, they have the power. Bhaktiar had the authority and power and he could not do anything with it, he could not make the mechanism of government work. Clearly, I think yesterday or this mornings incidents in the embassy reflect the struggle that will go on between the leftists element, some of the tudah parties, some of the marxist terrorist groups called the Chenks, and the people Khoemini has designated to lead this government. I don't know how to predict for you whether who will prevail in this but it is a very worrisome situation. I think many of us are reasonably optimistic that if

the Khoemini forces prevail reason will have out. I mean the Khoemini's dictums of--let's have a banking system but no interest rate, let's have a government but bottle it up--probably won't have tremendous impact. We would expect that the key element would be Bazargan with his western educated--basically a slant to the West--and whom we think will try to set up a democracy with a an Atlantic tint. One doesn't know what that truly means. We would suspect that Khoemini would go back home and sit and provide religious guidance, and that trying to translate that guidance into practical, everyday running of the government would be somebody like Bazargan's responsibility, done with a little more realism than you could do with a 78 year old Ayatollah.

Clearly it is not a pleasant situation and there is just going to be tremendous uncertainty for what I would think would be weeks to come before we see how this struggle between the left and the Khomeini forces is worked out. As you know there was also an incident in Afghanistan last night, I have very little information on that. Apparently four terrorists captured our ambassador and held him hostage to get weapons. An anti-regime group. I have no idea how they thought they were going to do something with this when they got the weapons. The only report I have is that the Afghan police stormed the place of seige and in the process the ambassador was killed by the people holding him hostage. It sounded to me like an immature nation not knowing how to handle something like this and taking a brute force approach.

There is a troubled area of the world ranging all the way across Dr. Brzezinski's arch of instability to Yemen, the Arabian Peninsula, Iran, Afghanistan. Turkey is a problem of local instability at the moment, not the same stage of development as these others, but one that we have to be very concerned with and of course even in Pakistan there is a foundation of instability there. President Zia has got to make up his mind whether Bhutto is going to live or die and on that no win question, from his point-of-view, a lot is going to hinge there. If he lets him off and turns him out in the street, the odds against Zia surviving in the long run are slim. If he commutes his sentence and leaves him in jail, he may have the worst of both worlds. He has Bhutto to put up with, and he has the military and others who want Bhutto dead, on his back. If he kills Bhutto, who is undoubtedly the most popular politician in the country, he may have rioting and serious disorder.

I wouldn't want to say that there weren't any bright spots on the scene. If you look at the fringes of the arch we just described, clearly in the last six months or so the Iraqi's have become very concerned and cautious about their long term relationship with the Soviet Union. The Saudi Arabians are in a very tenuous and difficult position. It is hard to tell where they are going to go, but clearly all these events have alerted them to the problem around them. The special relationship that traditionally existed between them and the United States is up for question at the moment. It is something that Harold Brown is out there right now talking to the people in the area about. India has in the last two years, we think, moved a fair distance from its traditional warm relationship with

the Soviet Union. India is very wary of the Afghan situation as of course is Pakistan which is right next door and was the Shah. In short, I don't see a lot of bright signs, but I am saying that the Soviets are finding themselves in a position today where some of these inroads they are making are alarming people on the fringes and where the Soviets find themselves more and more in a position of having to take sides in some of these local disputes where they have tried to play both horses before. So, we have got this complicated matrix in South Asia. The Soviets traditionally supporting India, India now opening sides to the United States and China, China having been the protector of Pakistan and around we go in a very confused circle here.

It is causing me in my present job some interesting challenges that I want to talk to you about very briefly and mainly respond to your questions this morning, because these are short term issues that we are grappling with day-by-day, but what I wanted to mention very quickly was that we are in a period of considerable transition and change in the American intelligence community and in the Central Intelligence Agency in particular in our country. Change has come about for a number of reasons, change is taking enough shape so it can tell where it is going, but we are not there yet.

One of the changes is reflected in the fact that you can sit down with a group like this and talk without any hesitation about these far away countries and their economic and political problems. I imagine many others here have had operations in Iran or elsewhere and are more conversant with the problems there than are we in the government.

Intelligence over the last 30 years in this country has spread out from being a largely military oriented operation to one very much involved in economics, politics, terrorism, narcotics and has separated from the primary focus on the Soviet Union to a focus on all kinds of countries many of which we never heard or thought about and whose names didn't even exist 5 or 10 years ago. A number of times I deal with Zimbabwe every week--its a name I still can't pronounce because its so new. It has caused us a real challenge because we have had to now spread our skills from, again, a lot of technical military orientation to just almost every academic discipline in the book. We have had to spread our ability to collect data and find ways which, clearly, we didn't find adequately in Iran to sample the culture, the religion, the trends, the thinking in the society and so on in these countries. It is an exciting, difficult challenge. Our resources are not all that much greater and I need not belabor the fact that the Soviet military is still a very considerable problem and we can't really afford to diminish our attention to it in any particular area. So, we are working to do more with less and to be sure that we find the right balance of effort.

I happen to be very persuaded personally, in addition, that we ought to be doing more for you, the business community of our country. I feel bad not only that we did not give good warning to the government on Iran, we didn't give it to business. We didn't help people like Dan, and others of you who had operations out there. Even if we were prescient and knew all those things, there is another problem of how do we get to you what we know and what would be helpful to you. How do we know what you

want to know about what is going on in other parts of the world. I am not advocating a Japanese arrangement where the government and business are sort of in bed together, but I think that there is something to be said that an interchange here could be very helpful. We benefit tremendously by inputs from you and many of our companies on a very above board, non-clandestine way. It is a shame for us to go out and spy to get information that your managers in various countries have because of their contacts and if there is a shortcoming in what we did in Iran I think it would be that with 40,000 Americans there, we didn't tap this pool to get the sense of what was going on in that country, as well as we would like to have. I don't know any journalists, or academics or anybody else who tapped it and predicted it, or corporations that thought it was going to lead to tension. Maybe many corporations were taking proper defensive measures here, but somehow as a nation we didn't bring it all together and yet we have a tremendous intelligence pool, if you want to call it that of knowledgeable Americans on the scene.

I don't understand frankly how much the business community that was operating out there did understand in forecasting the problem or how much a business community in a country like that separates itself from the cocktail circuit in which our diplomats and military people tend to stay and really understand what is going on at the grassroots. But somehow in the country, one of these days, have got to bring that together better. I look forward to working with the American business community more. One of the ways I have tried to do that in a small bit in the last two years is reflective of another major trend or change in the intelligence community

of our country and that is being more open. We are more open today than ever before. I am here with you, for instance, which probably would not have been the case five or ten years ago, in part because of a personal conviction that we must have the support of the American people. We had that support for most of our 30-some years of existence simply on faith, on the understanding that you needed to do some secret things, you needed to get some information in the kind of world we live in. After all the scandals and disclosures, some true some alleged, I think that faith has eroded. The American public deserves and needs a basis for understanding and supporting our intelligence activities, so we have tried to be more open in explaining what we do and why we do it, and in particular with respect to American business we have tried to publish more of our product. I happen to be particularly proud of the fact that we warned all of you in March of 1977 that there was going to be an energy crunch coming for the world. Not as it was sometimes misinterpreted, that the world would run out of energy or oil energy. But what we said back then was that in 1981, 1982, 1983, the world wasn't going to be able to get as much oil out of the ground as it was going to want to consume on the surface and I predict to you in the next few weeks that message will be re-emphasized in this country, accented by the loss of a few million barrels a day of Iranian oil which has really focused attention on it but hasn't done much except accelerate our prediction a couple of years. It makes the problem worse, it is not generically different than we said it was almost two years ago. Part of that prediction was based on our feeling that the Soviet Union would be having oil problems, would peak-out in its production about 1980.



That was looked on with considerable skepticism by the American public, oil companies and others. When we dug into it we found that there aren't many oil companies or others in the United States who really study the Soviet oil situation, didn't have much business back and forth. People have made assumptions on what their status was and didn't have a lot of facts to back it up. We were able to go back to some of my comments on cooperation between industry and intelligence; we were able to take information that corporations in this country were willing to share with us as to what they were selling to the Soviet Union. When you pieced all the things together you came up with a little picture and you said, hey, that makes you want to look into the very classified, highly secret information and tie that together and out of this we came to this understanding that the Soviet oil production is on a down flow. Every fact since then has confirmed that and most of the oil people then came along and agreed with us since then.

You've got Soviet oil production going down, now you have got problems of a very special type in Iran, no way to predict whether they will try to get back to production in a hurry. We don't think they will be able to get back to their 5 1/2 to 6 million barrels a day, even if they make a tremendous effort. There has been damage to the fields, the expatriat workers have left, we suspect they won't want to go back to that, maybe 3 million or 4 million, something like this with a net deficit to the world. On top of that we think there are technical problems in many of the other fields around the world and there is also a much more conservationist trend in other oil producing countries around the world. Why should they be pumping that out of the ground when it is going to be more

valuable to them in the ground in order for the American public to drive his car at 70 miles per hour instead of 55 and all the other things we do that are (in the world's view) at least a profligate use of this international resource. The trends are all against us in terms of continuing the way we are in the use of energy. The answer is twofold: there is going to be an increase in prices, and constriction in availability which will mean economic restraints. You know more than I what that will mean to you and to the rest of the world's economy, but it is not, in my view, a promising outlook.

Here I am, a simple sailor trying to turn from just looking at military matters, military intelligence to becoming an economist, an international politician of sorts. That is the kind of challenge we are facing. It is a very exciting one. We are doing it in a completely new atmosphere today than 5 or 10 years ago. Not only are we more open with the public, we are under a degree of oversight and control today that is unprecedented in the annals of international intelligence activity.

This has all come out of a period of intense criticism and investigation of the intelligence community. The Church Committee, the Rockefeller Report, the White Committee and so on. Out of it today, not only am I accountable to the President as the Director of Central Intelligence has always been, but we have a very specific Presidential written directive on how that relationship will exist and what the reporting will be. We have an Intelligence Oversight Board, appointed by the President to check on the propriety, the legality of what I am doing, and all the rest of the intelligence community. And, instead of reporting to one or two senior southern

senators, we report to two very active committees of the Congress who are probing us, checking on us all the time. Let alone, much more visibility in the appropriations process of the Congress today. This is good and it is bad.

It's good in that, you know best than anyone, accountability is what makes you hold your feet to the fire and be judicious in your decision making. You have an accountability to come to the bottom line. You don't have that in the government and when the intelligence community really didn't have what accountability can exist in the government there was more opportunity for abuse, for mistakes, for not judging the risks as carefully as you should. We have that accountability today, and I assure you we are being judicious. There is a danger that you will lean overboard in that direction and you won't take risks that you need to take. There is clearly the danger of too many leaks and not being willing and able to do things. We were talking about this at breakfast--on the alacrity with which information gets out is very, very inhibiting to our government in so many respects. Take for instance the situation in Iran. We were discussing the helicopters, the marines and so on. I can assure you that it is actually inhibiting to the interest of this country when you can't afford in a closed council like I am going to at nine o'clock, down the street, to sit there and in all candor discuss what are all the actions we will take to protect the Americans in Iran, for fear that it will leak out tomorrow and the Turks or somebody will be on your back and will not let you do what you need to do. It isn't just that it is going to be embarrassing. On the one hand you want to be sure you are ready to help the Americans, on the other hand,

being ready and talking about it and leaking it may prevent your doing that. It is a very frustrating thing and it has been frustrating particularly in the intelligence world that has come from this culture of total secrecy and is now cast into a need to be more open with the public. A very suspicious, inquiring media in this country that still has a Watergate psychology that says anybody working for the government must be doing something wrong -- and this leak phenomenon. I can assure you that the combination of the unwanted attention of publicity and the necessary attention of publicity has shaken the intelligence structure of our country because the people who have been raised in it all these years have not understood the need for some of that and the frustration of having to put up with the rest of it. It has taken us through a trough of morale problems, a trough of adjustment to these kinds of changes I have been trying to describe to you.

I think we are snapping out of it and snapping out of it frankly, in part because we are also in the midst of a generational change. If you look on a working generation of perhaps 30 years, we have been in business in the Central Intelligence Agency 32 years, we are beginning to see the old guard pass and a new guard come. That transition, that change from a totally secretive, quiet clandestine operation to one that has got to be done under some public scrutiny, under considerable Congressional and Executive oversight is a really rather different thing. Adjusting at the same time, what I would call our product line, away from just military to all these other areas is an added challenge, an added sense of adjustment. I believe we are in a very healthy state nonetheless, I believe that

the model of intelligence we are evolving here is a going to find the right balance it hasn't yet, between the oversight and public attention and the necessary secrecy which must go on. And I find a much greater receptivity in the American public, even in the media occasionally, to an understanding that we must have some secret activities in our government and that we can't go on without being informed in this kind of a world we live in. If there is a silver lining in the cloud of all the criticism of intelligence in Iran, it's that people care. At least there is an understanding that we have to know these things. I find that heartening in many regards.

I want to stop and take your questions, but just leave you with the thought that we have been and still are going through some difficult periods of adjustment and transition, but I have tremendous confidence in the quality of the people we have , particularly the new young ones coming up into the system and I believe we have a very healthy and capable intelligence capability in our country today. It's one that does serve us well and is being geared to serve us even better in the year ahead. Sorry, to have gone on as long as I have.

Y Group Question & Answers

- Q. One of the foundations of a sound intelligence network is the ability to work closely with other countries and rely on what they find out and talk back and forth in areas that complement each other. Have we maintained that ability given the varied problems you cited of open exposure and open intelligence work that has been so characteristic of the last few years and which has been seriously questioned by a number of our allies who wonder as to whether we are trustworthy in our intelligence work.
- A. There's no question that is a problem. I don't think the greater openness in itself scares them off, but the unwanted openness does. When the Agee's print books which disclose our operations--and we don't and can't do anything about it--that really hurts, because people in many other countries don't understand that a former employee can go out and violate his secrecy agreement and publish things inimical to the best interests of our country and just get away with it scott free. It makes them wonder if we are serious. Now, at the same time I would have to say, an interesting facet of intelligence today that is different, I think more than ever before just after World War II, is that there are really only two countries in the world capable of having a full intelligence capability. It is so expensive to have a satellite as a listening post and all these other things, that not even our closest allies like the French and the British can afford to have the full panoply. That gives us a lot of leverage in the kind of thing you are talking about. In short, there is a limit to how much they can, if they want, cut us off because we have a lot of things to offer to them. I, haven't had to exercise that leverage too much to begin with, but we don't think that at this stage they are holding out on us in other liaison activities to any substantial extent. I will say that if we can't curb things in the way of Agee type releases in the next year or two, it could get worse.
- Q. There was a story in the New York Times the other day that the Israeli's in 1977 saw the beginning of the Shah's decline and began to position themselves to get oil from other sources. Query: did the Israeli's share that with us and if they did, did we listen?
- A. No, they didn't share it with us. They may have done this on their own. We have very close liaison with them--I don't really think they did predict it myself. An Israeli general came here and was telling people they had and I called him up on it and said if you've been telling us this, he was claiming he was telling us this, I said I want to know who you told it to and I got a letter of apology back.

- Q. Could you tell us a little bit about Khomeini and his background and his connections with the Russians?
- A. We may be taken in, but we don't feel that he has a Russian or communist leaning. There is nothing in his background that would point that way. His whole tenet in life is religion, he knows the Russians are an atheistic state; he sees the antipathy between his land and communism and he, as most Iranians, I think, is very well aware of the problems of the big bear on the northern border and one that has two problems with Iran: One, a large muslim population that can be infected by the activities of the south and therefore wants to control those activities, and particularly wants to control an islamic resurgent leader like Khomeini. Secondly, what I described before with the Russian oil problem they clearly have their eyes on that part of the world. That does not mean of course, that part of Khomeini's entourage may not have been affected in these years of attempting to undercut the Shah by support from the Tudah people or support directly from the Soviets. We do not have close identification; we suspicion that some of those who may have more leftist leanings than.....(Tape end)

Beginning Side B

- Q. Has any attention been paid.....inaudible.
- A. We try to follow that kind of activity in any country and one as close to us as Canada, we watch with particular care. Now, this comes to a very fundamental and touchy problem. The relationship is such that you go and ask Mr. Trudeau what is going on and he is pretty forthright with you. The extreme is, there is very little old, other than the risk of getting caught, of spying on the Soviet Union and nobody is going to be too upset if we get in trouble there. Now in between the Canadas and the Soviets, there are the Irans and the Pakistans all these other people that you want to know something about what is going on, and the degree of risk you will take in order to get that information varies with what you judge to be the importance of it versus the damage to our country if you get caught. So, we follow Canada in a very benign way and we follow the Soviet Union in a very intrusive way. Each country in between we find a different kind of mix according to the risks. The risks in Iran were high. Savak is a very pervasive organization. The risks were high in that a man like the Shah never would understand why you were trucking with the opposition, he would assume you were trying to undercut him not maybe to help him by letting him know what the opposition were doing whereas his own service would not. So, yes we are very interested in what is going on in Quebec and we think the domestic political scene up there such that there is a reasonable probability that a referendum for a more autonomous situation will pass. It's probably not going to be held this year, so I am not going to make a prediction at this stage. It certainly has some political momentum and appeal and that movement could cause real problems again for us.

- Q. Two questions about Iran. First, some of us have been told that the radical movement in the oil fields is not necessarily subject to Khomeini's leadership and it could be dangerous if it remains out of control. Second, how concerned should we be about the degree of electronic capacity of a sensitive nature to us, if left in Iran beyond our control to destroy or get out.
- A. Back in December Khomeini sent the now prime minister Bazargan down to try to get the oil fields back into at least enough production to keep the country running. Bazargan was surprised, we think, when he got there and found out his negotiators couldn't get results because the strikers were not willing to do things just because Khomeini said to do them. That is part of the struggle which I think we are going to see devolve in the weeks just ahead. There is no evidence that I have of Russian inspiration of that. I am always in a difficult spot answering this one because I don't want to appear naive. One assumes they are trying to do this and one assumes that one of the reasons these strikers have been resistant to Khomeini is simply that they have been indoctrinated by the Tudah. We do know that over the past decade the Tudah party has done more proselytizing more recruiting in the oil field worker area than elsewhere. Yes, there is some communist/Russian influence here, no doubt about it. I don't have a lot of hard evidence, however, particularly of current activity, financing or so on. That is very difficult to pin down. Most of the electronic equipment, F-14 aircraft, missiles, missiles on Iranian navy ships was all sold, presumably with the thought that there was a reasonable balance between risks of ..(inaudible).., and the value of having them there. None of us would be happy if these airplanes or missiles fell directly in the hands of the Soviet Union, clearly. I suspect, however, that much of the technology that is known, if not through Aviation Week, is through previous spying that has gone on. In short, it would not be a particularly happy scene to have it fall directly in these people's hands to pick up an F-14 and fly it and so on. But, I don't think it is going to be a major breakthrough for the Soviets. There are others more qualified than I on weapons, and they would know better how long it would take the Soviets to replicate anything that we had in there and I don't think it would help them, but it would make that instantaneous carbon copy transfer sort of thing. The other, of course is the countermeasure they may be able to take if they understand the kind of electronic system better; that clearly is a problem.
- Q. Admiral are you satisfied with the ability of the intelligence agencies today to recruit able young men and women so that you have a good pool handy?



- A. Yes. We are lucky. I think the young people of this country are just super and they have seen through a lot of this and even in the types of criticism, 3 or 4 years ago, recruiting didn't drop off. Our numbers are up this year from last and last spring we put an ad in the New York Times and holy mackerel we had two and a half times more applicants that month. If I say that in some public forum, the telephone goes off the hook. I was in Boston a few months ago, on a morning tv talk show and somehow this question came up and I said we were looking for more women to join our clandestine service. Later in the afternoon, Charlie Battaglia over here called up our recruiting office up there and they said the phone has been buzzing ever since the Admiral got off the tube this morning. The quality is the same, we think it is pretty close. I would be interested in your reflections on this, to those of you in the overseas business. We are having more trouble getting people who want to join the overseas element of the agency. The military can often send a wife and a husband team to the same place together, but they've a big operation. My activities overseas are measured in much smaller numbers in the Central Intelligence Agency than maybe the Army or something, so it is hard to find a place where in the same locale you can locate a wife and a husband who have different skills, different grade levels and get a meaningful job for these each. We are having problems in taking the recruits and finding enough of them who will say yes, I would like to sign up for life of largely overseas living. It is a different culture today and I don't know how we're going to attack that one. We are trying to change the emoluments, we are trying to change the privileges and so on. There are limits to what I can get the government to let me pay the people who go overseas and how much that will really attract people. The wife is not very happy sitting in some country twiddling her thumbs.
- Q. Would you comment briefly on the situation in Southeast Asia as it pertains to the Soviet Union and China?
- A. That is a very touchy one. I think the irony of it is that the best guerilla warfare people have got themselves mired down in a guerrilla warfare problem. We think the Vietnamese kicked that thing off either on the assumption that the Cambodians would hate Pol Pot more than they would hate the Vietnamese, and therefore it would rally to the Vietnamese to accept them and that didn't prove to be true. Or, because in November they had a battle in Northeast Cambodia and wiped out a Cambodian division and maybe thought that Cambodia was going to fight main force battle fights and that they could go in there and clean it up quickly. Well they went in and the Cambodians disappeared into the bush just like the Vietnamese had done to us and others. So, there is a very substantial resistance movement going on. Clearly, the Russians are supporting

the Vietnamese in this. I think in large measure they already have their position in Vietnam, but because they are smarting from the Japanese/US overtures to China which has North Korea more in China's camp than Russia's, so north and east Asia is anti-Soviet from a Soviet point-of-view and they are saying we are going to show those people by consolidating our position and expanding it and showing our strength in Southeast Asia. You heard Deng Xiaoping; he said we are going to teach them a lesson. He's very concerned of the impact of the other lesson, i.e., we, the Soviets, can back our forces down here on Thailand, Malaysia, Singapore and Indonesia. Whether Deng Xiaoping will be as bold in fact, now that he has been home almost a week, and launch that attack, I don't know. But there are sizeable Chinese forces available in that area to do it, larger forces than just a threat. It remains a danger, a real possibility. Success for the Cambodians may in fact make it less necessary for China to do that. Of course, then the 64 dollar question is if China feels it has to teach a lesson and how. How bad will it be. Will they try to go all the way to Hanoi and try to topple the government there or do something like that, or just and demonstrate they are tough guys and, depending on how tough they are, what will be the Soviet reaction be. More aid for Vietnam, would there be the establishment of Soviet bases in Vietnam, would there be a corresponding raid or incursion on the Chinese border to the north. It is a very touchy and dangerous situation now. There is a lot of pride hanging on the line, a lot of thinking towards the long term and what this portends for the attitudes of the other countries in the area. We hope it can be contained and not get out of control, but we don't know how to predict it.

