

James R. Schlesinger  
Let's Keep Cool

Prior to the sinking of the Lusitania in 1915, the Imperial German government placed newspaper advertisements warning prospective passengers that Britain and Germany were at war and that the Lusitania was thus subject to submarine attack. Warnings issued, the German government felt it had done its duty. It was wholly unprepared for the vehement foreign reaction to the Lusitania's sinking. The event was regrettable perhaps, but surely there would be universal understanding of actions taken for reasons of state.

Prior to the shootdown of the Korean jetliner, the Soviet Union had regularly published warnings, placed on maps, that aircraft intruding into Soviet airspace were subject to being shot down. Warnings issued, it, like the German government in 1915, has been wholly unprepared for the worldwide reaction of outrage. It could not conceive how offensive to Western and other opinion is the needless destruction of civilians. After all, warnings had been issued, a civilian airliner had been fired upon and forced down in 1978, and there were good and sufficient reasons of state.

Too much attention, it seems to me, has been devoted to the question, why did this shootdown occur? Given the Soviet cast of mind and Soviet operational procedures, the outcome was highly probable, if not foreordained, once so deep a penetration occurred in so sensitive an area.

First of all, the Soviet regime is tough, if not bloody-minded, about such matters. The Soviets are hypersensitive, if not paranoid, about security. Sakhalin, for example, has only 10 percent of the military assets located in the Hampton Roads area, yet the United States would surely not shoot down a civilian airliner that had strayed over the region. The Soviets, by contrast, are so determined to prevent intrusion of their airspace that they are willing to defy international opinion and the community of nations.

Second, the Soviets have an exceptionally rigid command-control system. This is reflected, for example, in Soviet inability promptly to turn off the politically costly submarine operations against Sweden, once they had been blown. When a Korean jetliner in 1978 penetrated so deeply into the even more sensitive area of the Kola Peninsula before being attacked and forced down, one can readily imagine the consternation at the headquarters of the Air Defense Forces (PVO) in the Soviet Union an independent service. Reprimands were issued; court-martial proceedings were instituted. New rules of engagement were established, and warnings unquestionably issued that such an occurrence must not be allowed to occur again.

In the Soviet Union penalties rarely will be imposed for following the book. By contrast, severe penalties will almost certainly be imposed for violating standing orders—even for humanitarian

reasons. Such an incentive system leaves little room for flexibility.

In the 2½ hours that the Soviets tracked the jetliner, ample time was provided for ground control to refer the matter to higher echelons. The decision was certainly referred back to Far Eastern Command and probably to Moscow. Given the time available, the decision was probably made by senior military officers of the PVO. One can assume, though one cannot be certain, that the issue was not referred to the political level. Within the Soviet system, more trouble would be caused for the military commanders if the airliner were not shot down, than if it were.

Thus, given the nature of the Soviet system—its sensitivities, its rigidities and its pattern of rewards and punishments—the outcome is scarcely surprising. It was not "calculated murder," but rather the natural outcome of the creaky Soviet system. Only those who disregard Soviet toughness, and have been prepared to accept a vision of the Soviet system as a mild, inoffensive, peace-loving state, can have been truly surprised.

The Soviet response to the international outcry has been somewhat bizarre. After initial silence and then fumbling, the Soviets have finally settled on the simple canard that the jetliner flight was—however implausibly—an intelligence operation. Allegedly a camera with all its equipments was installed in the aircraft, presumably unnoticed by both passengers and ground service crews in New York and Anchorage, despite the displacement of baggage and fuel on a long over-seas flight. The plane, however, flew above cloud cover. Moreover, even the Russians must acknowledge the difficulty in taking good pictures in the virtually total darkness of 3 a.m. There is simply no reason (even at high noon) to do inefficiently, and at great risk, what is performed efficiently and simply by space satellites. Finally, few nations metaphorically use women and children to clear landmines or divert fire in either battlefield or intelligence operations. The notion that 269 innocent people might be risked for such a purpose is foreign to the Western mind, if not to the Soviet.

As a cover story, this Soviet canard is as feeble as it is mendacious.

Yet, beyond expressions of outrage, the basic question now is what should be the international response?

The Soviet Union may be a bully, brutal and insensitive—but it is a nuclear-armed bully. Moreover, it has the capacity to cause a great deal of trouble—in Berlin, in the Persian Gulf and in Lebanon, for starters. While we should seek an appropriate expression of regret and compensation, our response must be measured—and our limited means recognized. The episode should not be allowed permanently to darken the international climate.

In the halcyon days of détente, this tragic episode would have been handled quite differently and more quietly—a talk between the sec-

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*"The episode should not be allowed permanently to darken the international climate."*

retary of state and the Soviet ambassador, a government confirmation of press reports after a day or two. The Soviets may well be astonished at the drastically altered American style of behavior—with the secretary of state himself spearheading the attack.

White House aides are whispering that the episode confirms everything that Ronald Reagan has ever said about the Russians: Is our policy now primarily to be moved by notions regarding the "empire of evil" or the "Twelve Commandments according to Nikolai Lenin"? If so, it would imply additional trouble down the line—with our allies and with Congress, which remains quite restless regarding the administration's approach to arms control.

What the Soviets have done is offensive to the entire community of nations. Other nations must consequently remain fully involved. This legitimate issue should not be turned into a simple Soviet-U.S. confrontation. All actions need to be coordinated carefully. It may be possible to persuade most nations to withhold landing rights from Aeroflot until the Soviets acknowledge the culpability of their action. A more general cessation of trade, if it should be considered, must be temporary and have a clear termination point. Above all, sanctions should not be permitted to become a source of Western disunity—as so dramatically occurred in the pipeline dispute.

While others will urge that the United States do something, we should recognize the stringent limits on prospective sanctions and the need to maintain Alliance cohesion. With the recently expanded sale of grain, which is unlikely to be interrupted, our credibility in persuading others to take costly measures will be limited—and a potential source of disputes.

In 1915 President Wilson's protests over the sinking the Lusitania were ignored. The United States and Germany ultimately drifted into war. But war is no longer a sanction to be seriously considered against a nuclear-armed superpower. It is precisely what we must avoid. The quest for nonviolent coexistence imposes severe and clear restraints.

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# Ex-C.I.A. Head Now Works for a Nuclear Freeze

By PHIL GAILEY

Special to The New York Times

WASHINGTON, June 13 — Eight years ago, while this city was undergoing its post-Watergate cleansing, William E. Colby did something unusual for a director of Central Intelligence.

He disclosed the agency's "family jewels," as its dark secrets and illegal activities were called by insiders, before a Senate committee. At the same time he turned over to the Justice Department the findings of an internal inquiry that led to the prosecution of Richard Helms, one of his predecessors, for lying to Congress about C.I.A. activities in Chile.

The agency's old guard reacted with harsh accusations and innuendoes. Some, including James J. Angleton, who had been ousted as head of counterintelligence by Mr. Colby, suggested at the time that he might be a Soviet mole; others accused Mr. Colby of paralyzing the agency's ability to conduct covert operations by kneeling before the Senate Select Committee on Intelligence as if it were, in the words of one former C.I.A. director, "a mourner's bench." President Ford asked for Mr. Colby's resignation in late 1975.

These days Mr. Colby, who practices international law here, is again playing a surprising role for a former director of Central Intelligence. He has joined the public debate on nuclear arms control on the side of the Catholic bishops and the nuclear freeze movement, and this has brought a new round of criticism of Mr. Colby by some of his old C.I.A. colleagues who never forgave him for opening the agency's black bag to the world.

## Known as a 'Soldier-Priest'

"My position is a little incongruous for a former C.I.A. man, and I understand that," he said, adding that, contrary to what some are saying, neither religion nor guilt brought him to his present view.

Still, friends and critics alike, including two former directors of Central Intelligence, suggest privately that Mr. Colby, known around the C.I.A. as the "soldier-priest," may be motivated in part by his deep commitment to his Roman Catholic faith and a sense of guilt from some of the most painful periods of his life.

After he was appointed C.I.A. Director in 1973, antiwar groups tacked up posters in Washington labeling Mr. Colby a "murderer" and war criminal for his role in directing Operation Phoenix, an effort to identify and recruit or imprison leaders of the Vietcong in South Vietnam. Some 20,000 Vietcong "suspects" were killed during the operation. Mr. Colby told a House committee that there had been some "excesses" despite his rules against illegal killings, but he insisted that the program had, on the whole, been successful.

Still, Mr. Colby was shaken by suggestions that he had condoned political assassinations. "How does it feel to be married to a war criminal?" he asked his wife when the posters went up.

His public tribulations were matched by his personal grief. In 1971 his eldest daughter died in Washington after a long illness, and friends say Mr. Colby, who was stationed in Vietnam during the years her health was deteriorating, felt a sense of guilt for not having spent more time with her.

## Practical and Moral Aspects

Mr. Colby, whose poker player's face rarely betrays his emotions or private thoughts, nodded slightly as a reporter repeated this speculation about why he went from the cold to the freeze.

"If I were taking the other side, nobody would bat an eyebrow about it," he said. "I felt this way long before the bishops' letter came out and, in fact, I helped to some degree in explaining the issue to Catholic groups. I figure the priests can take care of the moral aspects and I'll talk about the practical aspects."

Mr. Colby, who is waging his personal freeze campaign on the speaking circuit and in newspaper columns, contends that his antinuclear activities are "a logical extension of what I was doing in the intelligence business."

He goes on: "At the C.I.A. it became obvious to me that the real function of intelligence is not to win battles but to help with the peace, to avoid the kind of destabilizing surprises that

can occur. It is clear to me that the arms race has us on the verge of another one of these terrible destabilizing steps that is moving us toward a hair-trigger world with all this talk of launch under attack. My God, we're talking about the fate of the world."

If Mr. Colby's former colleagues in the intelligence community are perplexed by the latest public role of this man who calls himself "an unreconstructed cold warrior," so are some liberals who have welcomed him into the ranks of the nuclear freeze movement despite his support for the Reagan Administration's policies in El Salvador and his unwavering defense of American involvement in Vietnam.

James R. Schlesinger, a former C.I.A. director, said that the freeze movement, "if anything but a political gesture, could be detrimental to the overall military balance." He said he did not doubt his former colleague's sincerity, but, like some other members of the national security community, said he felt that Mr. Colby's words were taking a turn toward stridency.

Mr. Schlesinger, Secretary of Defense in the Nixon and Ford Administrations, said he read with dismay Mr. Colby's recent remarks to an antinuclear group at Georgetown University. Mr. Colby told that audience: "I think it's time for people to take this matter away from the priesthood that has gotten us into this mess and to simply insist that we stop building these things."

In an interview, Mr. Schlesinger said: "I get restless, and I suspect others do too, over firebrand comments about a supposed nuclear priesthood. Bill knows better than that. Discussions regarding nuclear strategy have been quite open, more

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**Front Burner**

**Central America Issue  
Heats Up as President  
Follows His Instincts**

**His Conservative Stand Risks  
Collision With Congress  
And Latin Allies of U.S.**

**Setback on El Salvador Aid**

By GERALD F. SEIB

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—During the 1980 presidential campaign, an interviewer asked Ronald Reagan what foreign-policy issues he would put at the top of his priority list.

"I think the whole problem of Central and South America and the Caribbean has been neglected too long," he replied promptly.

That response, little noticed at the time, seems prophetic now. It goes a long way in explaining why the president has pushed Central America to the top of his foreign-policy agenda—even though, by doing so, he risks a huge collision with Congress and friendly Latin American governments and may be creating a hot issue for the 1984 presidential contest.

In part, Central America has vaulted to the top of the administration agenda because of a genuine deterioration in the position of U.S.-backed forces in El Salvador. But just as important, a new chemistry of personalities and politics in Washington has suddenly brought out the president's natural inclination to dramatize the threat of Soviet-inspired insurrection in Central America.

"You have a convergence of elements here," says United Nations ambassador Jeane Kirkpatrick, who has helped push Central America into the public eye.

**Shifting Winds**

For two years, the diversion of pressing domestic issues such as taxes, combined with his advisers' squeamishness about parallels with Vietnam, muted the president's alarm about Central America. But now many of the restraints are gone. Aides who favored a moderate approach have been chastened, and national-security adviser William Clark has stepped in to urge on the president. At precisely the same time, Congress is forcing the president's hand by challenging the whole thrust of his policy in Central America.

The result is that tonight President Reagan makes one of the most unusual and dramatic moves of his administration. He has called a joint session of Congress, to be nationally televised at 8 p.m. EDT, to press skeptical lawmakers to approve more military aid for the government of El Salvador.

It will be the first time a president has addressed Congress on a foreign-policy issue since President Carter appeared in early 1979 to plug the new SALT II arms-control treaty, congressional historians say. Mr. Reagan is going to the trouble mostly to win congressional approval of \$110 million in quick new military aid for El Salvador he proposed last month.

**Legislative Setback**

But the speech also will carry an implicit warning: Congress risks taking the blame for the fall of El Salvador to the Communists if it ignores such a dramatic plea for help from the president.

Underscoring the problems the president faces in Congress, a House Appropriations subcommittee yesterday cut \$30 million from the administration's request to funnel \$60 million in military aid to El Salvador from funds earmarked for other countries. A separate request for \$50 million in new aid for El Salvador earlier was cut out entirely by the House Foreign Affairs Committee.

The administration hopes the president's speech can persuade Congress to replace some of the deleted funds, but resistance from Democrats is high. To save even half of the requested \$60 million yesterday, the administration had to make a large concession to lawmakers. It agreed under pressure to appoint a special Central American envoy to help El Salvador arrange talks with leftist rebel groups in an effort to lure them into national elections later this year. Salvadoran leaders are uneasy at the prospect of interference from a high-level U.S. envoy but were forced to accept one.

**Case of Nicaragua**

Nor were the president's problems on the eve of his speech limited to the House. The Senate met in a special closed session yesterday to discuss charges the administration is violating a congressional mandate by covertly aiding armed groups trying to overthrow the leftist government of Nicaragua.

Even some administration officials think Mr. Reagan, in taking his case directly to Congress tonight, is being melodramatic and may undercut his support in Congress. They fear that his move could reinforce impressions that he is an alarmist on Central America.

"I tend to agree it's a little too much," says one State Department official. "There are those who think you have to get this out of the public eye, not into it." Officials say preparations for the speech have been marred by bickering between hard-liners at the White House, who want to play up the Soviet and Cuban role in fomenting unrest, and State Department aides, who fear Congress will recoil at anything resembling "Red scare" tactics.

Regardless of their views, though, administration aides agree that the high profile of Central America is here to stay in the Reagan administration. "It comes from Ronald Reagan's heart, really," says one official. He asserts that there now is a "fair amount of agreement" within the administration that Mexico is the ultimate target of Soviet-inspired unrest in Latin America.

The president's position is bolstered by the fact that even some former skeptics now share his pessimism on El Salvador. "Our

impression is that the situation is deteriorating very rapidly," says a European diplomat from a country that has often questioned Reagan Latin American policies. "Time is running out, and the U.S. has to be very quick."

This diplomat is particularly worried that if Western Europe deals the Soviet Union a setback by deploying new U.S. nuclear missiles late this year, the Russians will begin casting about for a quick victory elsewhere. They may mount a drive to help guerrillas topple the government in El Salvador or station new weapons in leftist-ruled Nicaragua, he fears.

Moreover, top administration officials have begun to worry that failure to win congressional backing for aid to Central America is hurting U.S. credibility on other foreign-policy issues. For example, Middle Eastern leaders won't take American peace efforts seriously if the Reagan administration appears incapable of following through on initiatives in its own backyard, presidential aides fear.

**Many Doubters**

Yet all this dire talk falls on many deaf ears in Congress, as various committees slice or delay the administration's urgent requests for more aid for El Salvador. "I don't think the people think El Salvador is all that important," says Senate Democratic Leader Robert Byrd. Like many of his colleagues, he contends the administration is "going down the wrong track" by relying too much on military aid and too little on encouraging peace negotiations between El Salvador's factions.

The administration has itself to blame for much of the congressional skepticism. The White House has undermined its own credibility by swinging sharply from a calm demeanor to an alarmist attitude about Central America, officials acknowledge.

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## Reagan Again Asks for MX-Missile Funds From Congress, and Road Remains Rough

By WALTER S. MOSSBERG

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—For the third time in 18 months, President Reagan asked Congress for money to field a fleet of 100-ton MX missiles. But it won't be easy to rescue the latest plan from the rejection that greeted its predecessors.

As expected, Mr. Reagan embraced the recommendations of a high-powered commission he appointed to study the basing of the 10-warhead nuclear weapon.

That panel, which included several former defense secretaries, urged that 100 of the missiles be stuffed into existing silos in Wyoming, even though the silos are vulnerable to a Soviet sneak attack. For the long run, the commission urged development of a small, one-warhead missile that would be easy to hide and thus tough for the Soviets to attack.

The commission's report was worked out in close cooperation with the administration, and its adoption by Mr. Reagan was never in doubt. The recommendation is an effort to satisfy congressional hard-liners who favor the MX, while attracting some MX opponents with the pledge to eventually deploy, in the early 1990s, the smaller, less-vulnerable missile.

### Part of Lobbying Plan

Mr. Reagan's formal proposal yesterday was part of a thick lobbying and public-relations plan to try to sell the MX during the 45-day period Congress has set aside to consider it.

Speaking before assembled members of Congress and national-security figures, the president said deployment of the MX is the only way to assure Soviet agreement on a new arms-control pact. "We can no longer afford to delay," Mr. Reagan declared. "Now is the time to act."

Shortly after, House Majority Leader Jim Wright (D., Texas) appeared on the White

House driveway to endorse the plan and predict its passage.

But Mr. Wright warned that House Democrats won't formally grant Mr. Reagan's request for broad bipartisan support of the MX plan, and some influential Democratic members are already lining up against it.

Chief among these opponents may be Rep. Joseph Addabbo (D., N.Y.), who has great influence over military spending through his chairmanship of the Defense Appropriations Subcommittee. It was Mr. Addabbo who led the successful efforts to kill production funds in December, and he continues to oppose the missile. There haven't been any MX missiles built yet.

Common Cause, the self-styled citizens lobby, issued a call yesterday for the continued rejection of MX production funds, calling the missile "fundamentally flawed" and "highly destabilizing."

The House has more Democrats and liberals than it did in December, and it already has slashed deeply into the Pentagon's budget request for fiscal 1984. In addition, it is widely expected that the House will soon approve a nuclear-freeze resolution Mr. Reagan opposes.

Defense Secretary Caspar Weinberger and other top administration aides, who are scheduled to begin MX testimony today, are likely to face a barrage of hostile questions about contradictions between the latest MX plan and its predecessors.

The most important of these is the admis-

sion, this time, that there isn't any feasible basing scheme that could make land-based missiles safe from a Soviet first strike—at least during this decade. The administration has tried to sell a number of basing plans it claimed could do just that.

Further, the new proposal argues that this missile vulnerability isn't very worrisome because U.S. bombers and submarines can compensate for it. Mr. Reagan ran for election in 1980 partly on a pledge to close a "window of vulnerability" in missiles for which he blamed the Democrats.

### Use-It-or-Lose-It Weapon

Critics already are charging that placing MX in "soft" silos will turn it into a use-it-or-lose-it weapon, likely to be fired in a preemptive strike or in response to ambiguous radar readings from Soviet territory.

To counter these charges, which it failed to deflect before, the administration hopes to rely on some of the prestigious national-security figures who served on the commission and who are closing ranks behind its plan in an effort to obtain MX deployment.

Particularly important is Harold Brown, the most recent defense secretary in a Democratic administration and an expert on nuclear weapons. Another important figure is James Schlesinger, who served in three administrations, Republican and Democratic, as chief of the Central Intelligence Agency, secretary of defense and secretary of energy.

Both men have publicly attacked features of the Reagan defense program. But both were present at the White House yesterday for the kickoff of the latest MX sales effort, and both are expected to work hard on liberals and moderates to win backing for the planned deployment.

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THE NATION  
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# THE COMPANY & THE COPS THE C.I.A.'S SECRET TIES TO LOCAL POLICE

PHILIP H. MELANSON

Two years ago, President Reagan signed Executive Order 12333, "unleashing" the Central Intelligence Agency to conduct domestic intelligence operations. Civil libertarians have rightly criticized the order for creating the danger of a police state in which the C.I.A., acting on its own or through local police forces, will seek to suppress dissent.

What has not been fully reported is the extent to which the agency has in the past worked with police departments in American cities. If the past is prologue, the President's order not only gives a cachet of legitimacy to such cooperation; it also will encourage its expansion.

Executive Order 12333 authorizes the C.I.A. to conduct "administrative and technical support activities within and outside the United States. . . ." (Emphasis added.) This is coupled with a sweeping authorization for all intelligence agencies to "cooperate with appropriate law enforcement agencies for the purpose of protecting the employees, information, property and facilities of any agency within the intelligence community." Moreover, intelligence agencies can, under certain circumstances, "participate in law enforcement activities to investigate or prevent clandestine intelligence activities by foreign powers, or international terrorist or narcotics activities."

Prior to this order, it was widely believed that the C.I.A.'s charter, which states that the agency shall exercise no "police, subpoena, or law enforcement powers or internal security functions," barred it from involvement in domestic security matters. When Congress approved

the charter in 1947, it operate exclusively a 1970s, the C.I.A. secret departments, providing equipment and explosives return, municipal police their intelligence unit information on groups interested, provided C. use as "cover" and, agency wanted thro

1972, when the press and several members of Congress got wind of these activities, the agency denied and downplayed them, while continuing to engage in them until the mid-1970s. The agency also cooperated with local police officers in official and unofficial ways.

Although domestic spying by the C.I.A. was reported in the press in the 1970s, given the tight security at the agency's Langley, Virginia, headquarters, all the facts may never be known. However, I have obtained under the Freedom of Information Act a declassified 362-page file that provides numerous examples of C.I.A. involvement with police. The file, titled "Domestic Police Training" (hereinafter referred to as the D.P.T. file), reveals the tip of what must be considered a very large iceberg.\*

According to the file, the agency cultivated friendships with police officers mainly by entertaining them at its headquarters and occasionally by giving them gifts and money. When a Fairfax County, Virginia, police chief took a vacation in Puerto Rico, he was furnished with a car by the San Juan field office. Nor did the agency forget the cop on the beat. According to the file, one police officer was given a week's vacation at a C.I.A. safe house in Miami; the agency picked up an \$800 car-rental tab for another officer.

Police chiefs and commissioners were frequently given red-carpet treatment at Langley. Invitees to a 1967 get-together were sent identical letters of warm greeting by Howard Osborn, director of the C.I.A.'s Office of Security:

Mr. Helms has a keen, personal interest in our meeting and has directed that such Agency facilities as you may require be put at your disposal. He will host a dinner in your honor on 6 October at the Headquarters Building.

The schedules for the visiting police dignitaries stressed play over work. There were lots of coffee breaks, "get-acquainted sessions," "free time" periods and long cocktail hours—more than enough to take the pain out of the tours and lectures, which usually ran from ten to forty-five minutes. "Recreation periods" took up as much as four hours of the nine-hour workday. Travel arrangements were made by the agency, and limousines and spacious suites at the Washington Hilton were provided to the guests.

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# Schlesinger's Wary Oil View

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Special to The New York Times

WASHINGTON, March 18 — How advantageous is the oil price decline? James R. Schlesinger, the nation's first Secretary of Energy, believes it is likely to inhibit the domestic industry's ability to keep replacing the oil that is now being consumed. Moreover, he says, it may further dampen efforts to develop alternative fuels.

Mr. Schlesinger, a former top budget, defense and intelligence official as well as Energy Secretary, is now a senior adviser to Lehman Brothers Kuhn Loeb Inc. and Georgetown University's Center for Strategic and International Studies. The following are excerpts from a conversation with him this week about the new pricing and production agreement by the Organization of Petroleum Exporting Countries and other energy matters.

**Q. What does the OPEC price cut to \$29 a barrel mean?**

A. There is a chance the agreement will hold, but the probabilities are that there will be further downward pressure on prices in the spring. If prices break, they could go down to the \$22-to-\$23-a-barrel range.

**Q. Did OPEC bluff us into thinking it was more powerful than it really was?**

A. Some of the power we presumed they had was illusion on our part. It was a rationalization for what were major trends in the oil market reinforced by two notable supply interruptions. For the most part, OPEC merely followed the market.

**Q. Most people now seem to think that lower prices, while causing some problems, add up to a substantial plus. Do you agree?**

A. The fundamental point is that what is useful for us in the energy market short term is likely to be costly to us in the long term. The converse is also true. There is no doubt that, if we could have a permanent reduction or one that would last for five or six years, that would be beneficial. However, if prices are merely to dip for a short time, then pop back up, the result will be a decline in efforts to develop alternative supplies and in drilling activity in the United States and other high-cost areas.

**Q. You didn't mention banking.**

A. I should have. This brings great pressure to bear on those banks that have extended substantial credits to oil-producing countries such as Mexico.

**Q. I gather you think the decline will be temporary.**

A. I think it is — if we have economic recovery. We ought not to think of the recession as a cure for our energy problems. Indeed, oil supply prospects are grimmer than five years ago.

**Q. How do you quantify the relative effects of recession and increased energy efficiency?**

A. At least half of the decline in oil demand is attributable to the decline in international economic activity. We should see a recovery of oil demand on the order of 4 million barrels a day. That, with an end to destocking, would increase demand from the OPEC countries from today's 14 million barrels a day back up to 23 or 24 million and this would put us back into the same position we were in the late 1970's and early 1980's.

**Q. Is this the time to impose a gasoline tax or import fee?**

A. I have always been in favor of a substantial increase in gasoline taxes. This is an especially good time. The oil import fee is a less certain item; it might lead to a restoration of the entitlements program. Nonetheless, given the circumstances, we ought to provide some degree of protection for domestic oil production — we have the lowest reserve-to-production ratio amongst major countries — and such a fee would be necessary.

**Q. Should we sell Alaskan oil to Japan?**

We should certainly consider it. The Carter Administration made several attempts to remove the restraint on the export of oil. But we must recognize that the acceptability of that idea has declined because major investments have been made by the companies in shipping oil to the continental United States. And, of course, one will have the continued opposition of the maritime unions.

**Q. What about the budget effects of the price decline?**

A. It certainly has an adverse effect. It will increase the deficits. The Government is now a partner of the oil industry to a degree it has not been in the past.

**Q. How well have our intelligence agencies done in energy analysis?**

A. I think they were functional with regard to prospective oil supply. They were less accurate with regard to projecting demand. The Central Intelligence Agency's estimate was assum-

ing something like full employment and continued economic growth, an assumption that apparently has been unwarranted.

**Q. Is the Administration filling the strategic oil reserve fast enough?**

A. No. I believe in a maximum fill rate. And right now there isn't a better argument for that than, if oil prices are temporarily dipping, we can fill at lower cost.

**Q. What should be done about synthetic fuel projects?**

A. The most important are those that provide fuel liquids. We ought to have the technologies in hand to produce them synthetically. At the present rate of progress, it appears those technologies will ambitiously be developed around the year 2000 instead of the year 1990. That's regrettable.

**Q. What do you think of the Administration's natural gas bill?**

A. The Natural Gas Policy Act of 1978 was intended to provide some subsidization of those who would go out and find new reserves. The Administration's bill would end that; all gas prices would be the same. Old gas prices would come up to something like the equilibrium level. If one believes the Administration, the new gas prices would fall. That means that the incentive to go out and find new reserves would be substantially curtailed.

**Q. Didn't the Government in the 1970's mislead people by saying that we were running out of natural gas?**

A. I think there was some exaggeration and I think that there was undue concern, probably, expressed on the Hill by members of Congress. But I think our estimates of gas production were very accurate.

Robert D. Hershey Jr.



# Any Decline Soon in Oil Prices May Be Small, Analysts Say

By H. ERICH HEINEMANN

The breakdown of the OPEC meeting in Geneva yesterday has set the stage for a slight decline in oil prices and a further cutback in production by Saudi Arabia and its allies on the Arabian Peninsula, energy economists said yesterday.

But a sharp drop in the price of oil from the current world average of about \$33 for a 42-gallon barrel appeared unlikely — at least for the present, the economists said. The current price among members of the Organization of Petroleum Exporting Countries is based on \$34 for Saudi Light crude.

Total oil production by Saudi Arabia and its neighbors has declined to about 8.5 million barrels a day, from an average of 13.7 million in 1980, as they have tried to maintain their price structure despite the abundance of oil in world markets. That has prompted other OPEC producers to discount prices in order to sell their oil.

If Saudi Arabia makes an attempt to maintain prices — and is successful — then the decline may be modest. But even a small decline could prove a mixed blessing.

## A Double Effect

On the plus side, lower prices may increase business activity and lower inflation, among other benefits. The negatives focus on the possibility of loan defaults by nations such as Mexico, which depends on oil revenues to meet debt payments, and reduced demand for industrial products by the 13 OPEC nations.

According to Herbert W. Krupp, senior energy economist for the Bankers Trust Company in New York, there are these three major options available to the nations of the Arabian Peninsula — Saudi Arabia, Kuwait, the United Arab Emirates and Qatar:

¶ An official price cut of a dollar or two plus stated ceilings on their output. "Such price realignment would be combined with a threat of further price reductions," Mr. Krupp said, linking "the carrot of protected export

volumes for non-Gulf producers with the stick of threatened production increases and further price cuts."

¶ A significant reduction in prices and increases in production. The hope, he said, would be to "coerce" other producers into relinquishing a share of the market in a new agreement on output and prices. "This threat has not worked before," Mr. Krupp noted.

¶ Price discounts, special credit terms or barter arrangements with major customers as disguised price reductions. "However," Mr. Krupp said, "if the Gulf producers erode confidence in their official prices, then widespread discounting could ultimately be far more serious."

## Saudi Arabia Again the Key

In an interview, Mr. Krupp said that whatever happened, "Bankers Trust believes that OPEC will be successful in avoiding a significant price break through 1983 and beyond."

A senior energy economist for the Federal Government, who asked not to be identified, agreed with Mr. Krupp's analysis that Saudi Arabia and its allies still held the key.

He added, however: "I happen to think the present price structure is not in the Saudis' long-term interest, and that a lower price is in their interest. If they hold oil prices over \$30 a barrel, that would result in a relatively low share of the world oil market, and — over time — lower revenues."

According to data compiled by William L. Randol, international energy analyst for the First Boston Corporation, from the Central Intelligence Agency, OPEC's share of world oil production has dropped from about 50 percent in 1978 to less than 35 percent in the second quarter of 1982.

Spokesmen for the Exxon Corporation and Texaco Inc., two of the four partners in the Arabian American Oil Company, which produces and buys most of Saudi Arabia's oil, had no comment on yesterday's developments in Geneva. "This is too sensitive," an Exxon official said.

But a senior economic adviser to another of the nation's largest oil companies, who agreed to be interviewed if

he were not identified, argued that it made sense for Saudi Arabia to try to maintain oil prices at current levels.

"If we get an economic recovery this year, as I expect," he said, "then this oil surplus won't look anywhere near so bad six months from now. My advice would be to try to hold the line, and hope for a pick-up in demand."

Richard O'Brien, chief economist of the American Express International Bank in London, told a news briefing in New York yesterday that the fears of major international financial disruption from loan defaults set off by lower oil prices had been "overdone." Economic growth in the main industrial nations would accelerate substantially as a result of a sharp drop in oil prices to, say, \$25 a barrel, without any adverse impact on inflation, he added.

Donald H. Straszheim, who is in charge of short-term projections at Wharton Econometric Forecasting Associates, strongly supported Mr. O'Brien's view. "A lower oil price has to be a plus," he said.

## Effects on Banking System

Nonetheless, serious concerns remain that a sharp price drop would indeed pose severe problems.

According to James Schlesinger, former Secretary of both Defense and Energy as well as Director of Central Intelligence, "the oddity is that, largely because of the run-up in oil prices, we have an international financial system and an international economy that are in a perilous state."

"There are a whole set of things that would be benefited, and a whole set of things that would be harmed," he continued. "What I fear at the moment as I look at Mexico, as I look at Canada, which is in a 'delicate' condition, that the more sensitive relations may be the ones that would be harmed. Admittedly, this would be a great boon for the Germans and Japanese, which are purely oil importing nations, but they are not in as sensitive a shape."

Mr. Schlesinger concluded: "Volatility in oil prices may be worse in its impact than high prices, particularly in its impact on the international financial system."

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ON PAGE 2 PARADE

THE WASHINGTON POST  
5 DECEMBER 1982

STAT

## WALTER SCOTT'S **Personality Parade**

**Q** *Whatever happened to James Schlesinger, who was head of the CIA, Secretary of Defense and held other high positions in government? He seems to have disappeared.—Maurice Rosen, Albany, N.Y.*

**A** James Schlesinger, 53—whose “other high positions” included chairman of the Atomic Energy Commission and Secretary of Energy—now works for the investment banking corporation of Lehman Brothers Kuhn Loeb. The father of four sons and four daughters, Republican Schlesinger has decided that he can no longer afford the luxury of full-time government service.

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THE WASHINGTON POST  
1 May 1982

STAT

## Ex-Defense Chiefs Urge Review of Arms Treaty

By Michael Getler  
Washington Post Staff Writer

Two former secretaries of defense yesterday urged Congress and the Reagan administration to take another look at reviving the never-ratified SALT II strategic arms limitation treaty with Moscow, and expressed doubts about President Reagan's claim that the Soviets had "a definite margin of superiority" over this country.

James R. Schlesinger, who served under Presidents Nixon and Ford, and Harold Brown, who was under President Carter, advanced these views during the second in a series of Senate Foreign Relations Committee hearings aimed at producing a resolution on nuclear arms control policy that can command strong national support.

Sen. Claiborne Pell (D-R.I.) remarked wryly that he was glad to have two witnesses "who presided over that decade of neglect" on military spending that the current defense secretary, Caspar W. Weinberger, says is the cause of so much trouble.

Under questioning by Chairman Sen. Charles H. Percy (R-Ill.), Schlesinger said "we have lost valuable time and, more importantly, the political initiative" both in Europe and among the U.S. population by taking so long in the Reagan administration to get started on new arms talks, which are now called Strategic Arms Reduction Talks, or START.

Schlesinger agreed that there was some validity to administration desires to build up U.S. nuclear forces first.

But he said those goals were overtaken by events and that this country "is losing more . . . both strategically and politically . . . by the failure to negotiate than it would by going to the negotiating table with a somewhat weaker hand."

Percy has also been pushing the White House hard for a U.S.-Soviet summit meeting.

Schlesinger agreed that a meeting would be "desirable," adding that this administration came to office believing that most Americans and allies were not sufficiently aware of the Soviet menace and thus feared that any "palsy-walsy" meeting would detract from their ability to mobilize public opinion.

Although congressional aides say chances are strongly against any revival of the never-ratified 1979 SALT II, a growing number of lawmakers are pushing for it.

One is Sen. John Glenn (D-Ohio), who argued yesterday that SALT II, which is still officially in the Senate although dormant politically, is a "do-able" first step which would require cuts of some 250 missiles in the Soviet arsenal and then lead to the next round of START talks.

Schlesinger said he hoped the administration "would review that possibility of reviving SALT II." Brown, testifying later, "strongly urged this committee to consider again the virtues of the treaty" which he helped design.

The Reagan administration vehemently opposes the Carter-era treaty, claiming that it puts no real limitations on the arms race and confirms Soviet superiority in certain weapons.

Under questioning by Percy, Brown said, "I would have to respectfully disagree" with the assessment of Reagan and Weinberger about Soviet superiority in overall nuclear forces.

Both Brown and Schlesinger agreed that Moscow's land-based missiles were now a threat to knock out U.S. land-based missiles and that the Soviets do have some advantages.

But both officials, as did the chairman of the Joint Chiefs of Staff, Gen. David Jones, the day before, stressed American advantages in bombers and missile-firing submarines, and agreed the United States still has a strong ability to

"The Soviets do not have, in my judgment, anything like strategic superiority in the sense of a militarily or politically useable advantage in strategic nuclear forces," Brown said.

Furthermore, perceptions of the strategic balance are crucially important because they "affect the political will and morale of governments and publics. Thus, it is important for informed individuals, particularly those with government responsibility, to make every effort to express their judgment of that balance in terms that are accurate—neither alarmist nor complacent," he said.

Schlesinger did not directly respond to the president's claim, but said the United States has significant nuclear strengths that Moscow "may or may not have. I would prefer not to buy a pig in a poke," he said when asked if he would switch forces with Moscow.

Schlesinger said the Soviet space program turned out to be a fraud and stressed that there are many unknowns about Soviet weapons.

Schlesinger, a former CIA director, stressed there were great unknowns about missile accuracy and technical failure on both sides. "Given the spotty Soviet history in dealing with modern technologies, one would hypothesize that this must be a constant worry of the Soviet leaders.

"We ourselves know a great deal more about helicopter operations and maintenance than we do about actual missile operations. Yet if we recall the abortive rescue operation in Iran in 1980, even we, with a far more impressive history of technical success, should bear in mind this salient element," he said.

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PLAYBOY  
MAY 1982

# THE SMARTER



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TIME  
11 January 1982

## Perils and Promise

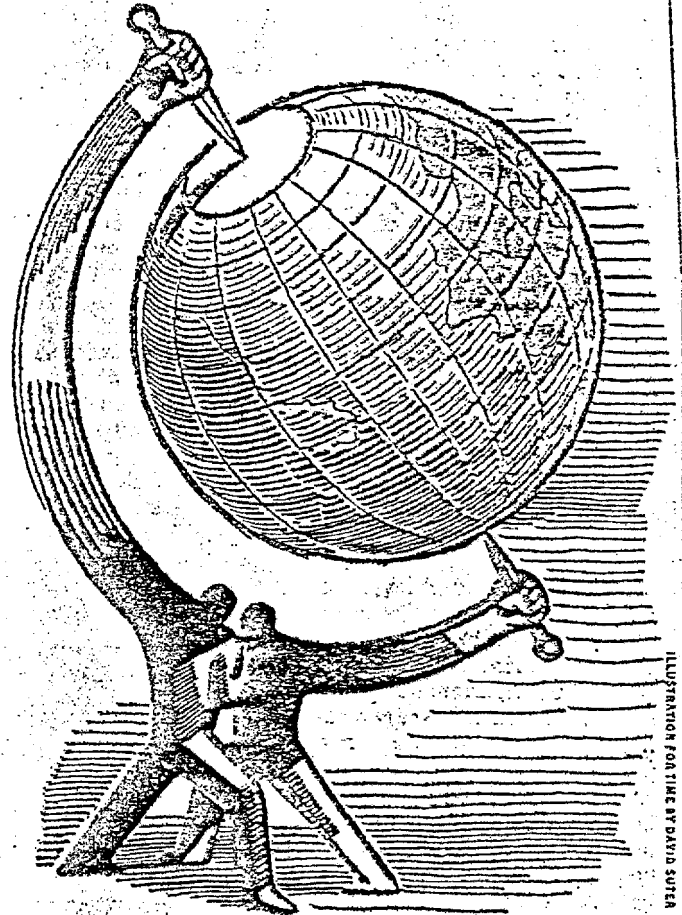
When the White House speechwriters crafted Ronald Reagan's Christmas message, they tried desperately to get away from Charles Dickens' hoary label for any era: "It was the best of times; it was the worst of times." But they failed, drawn again to that time-worn language to describe the maddening contradictions of the world today. And indeed, Dickens' words may be especially apt for 1982, a year with no poetry in its sound, no numerical magic. It is a year that a number of scholars and statesmen are already predicting will be momentous for the industrial democracies of the West, a time combining peril and opportunity.

The perils are obvious. The free world's alliances are weakened and some of its economies faltering; the adversaries are more threatening and the have-nots more demanding. Military power and its illicit offspring, terrorism, threaten to break all restraints. Firm decisions elude American strategists on nuclear security. Recession continues and worries deepen over the impact of budget and tax cuts. Decline in the auto, steel and building industries spills over to small business, farming and credit institutions. The accumulated stress spells fear.

Zbigniew Brzezinski, National Security Adviser to Jimmy Carter, pulled his trench coat around him in Washington the other morning and said, "The foreign policy crisis that I predicted for late winter is starting to develop by early winter." He cited four areas—Poland, the Middle East, Central America and China—that have reached critical mass against a dispiriting background of European neutralism, Third World alienation, frustrations about nuclear arms and indecision within the President's council about what we should do.

Brzezinski's counterpart from the Nixon-Ford years, Henry Kissinger, sees the next months as one of the most critical junctures in postwar American history, ranking with the 1956 Suez and Hungarian crises and the building of the Berlin Wall in 1961. "It is almost exactly a generation since the great creative acts of the immediate postwar years were put in place," says Kissinger, referring to such landmarks as the Marshall Plan and the formation of the Atlantic Alliance. The key tests today, in Kissinger's view, are for the nation to deepen values and transcend materialism at home, and to meld firmness and conciliation abroad in wise portions. Failing that, he says, "we can become irrelevant in just a few months' time."

Public television's Scholar-Author Ben Wattenberg, a senior fellow at the American Enterprise Institute, declares: "Poland is one of those great events that happen once in a generation to unmask the truth." Like former CIA Director and



Ambassador to Iran Richard Helms, Wattenberg sees much of the world struggle transformed into a propaganda war of unprecedented scope, in which perceptions of strength and weakness—conveyed in words and spirit—are critical elements. Both Helms and Wattenberg would have the President muster academics, peace marchers, public relations experts, labor groups, corporations and churches in a worldwide educational effort to show that the Communist system is a brutal failure.

"Turn the bully pulpit into a bully spotlight," says Wattenberg, who, with Kissinger, believes that the U.S. is at the end of an era. "I've thought about it a great deal," Wattenberg says. "Perhaps a new era is defined best when people begin to agree

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THE WASHINGTON POST  
29 November 1981

## *Who Pushes the Button?*

In actual war games, the liberals and the women are the deadliest of the species

**By Benjamin F. Schemmer**

**C**URKHA SOLDIERS don't sheathe their swords until they've drawn blood, tradition has it. The legend is not exactly correct, but it illustrates that warriors understand how fatal combat is — and why they don't brandish weapons lightly.

A similar psyche has kept mankind from crossing the unthinkable threshold of nuclear war. There are certainly enough weapons to start one: The Soviet Union and United States today have about 28,000 nuclear warheads to throw at each other. They add up to about 20,000 times the destructive power of all the air-dropped munitions used in World War II and more than all the munitions fired since the invention of gunpowder.

Who would start that kind of a war? It might be a Russian — but who in America would start such a war?

Fortunately, no one knows. Hopefully, we will never find out.

Yet a survey of participants in America's recent war games reveals that in such mock conflicts, it is almost always a civilian participant, not a military adviser or decision maker, who decides to "go nuke" first. Furthermore, in those few war games where women played significant roles, it was a woman, not a man, who decided to push the button. Finally, it is the liberal "dove," not the conservative, who is most likely to get so outraged that he decides to use the "ultimate weapon."

The significance of this goes beyond confounding the image of generals as Strangelovian warmongers.

Presidents, after all, seem to have grown closer to their wives in recent times, not just relying on them privately for advice, but acknowledging it publicly. By some accounts, Nancy Reagan was the most influential person in Ronald Reagan's election campaign. Many people felt that Rosalynn Carter was the most influential adviser by far in the White House from 1977 to early 1981.

And, of course, women are assuming increasingly important policy posts in government. We now have a woman justice of the Supreme Court; a woman, Jessica Tuchman Mathews, was Carter's National Security Council staff expert on conventional arms transfers and human rights; Harold Brown named a woman as the Defense Department's general counsel and another as under secretary of the Air Force. We now have 20 women in Congress; some may rise in seniority to be in the line of succession for our chief executive. On eight occasions since Franklin D. Roosevelt became president, a woman has held one of the 14 Cabinet posts which fall in the line of presidential succession.

To find out how the "nuclear option" has figured in U.S. war games, we put the question to some 25 senior national security officials, analysts and advisers from the current and past administrations. We asked them to put aside the issue of civilian control over the military and, instead, simply to recall from nuclear war games in which they have "played" whether it was a military person or a civilian who finally decided or recommended, "It's time to go nuclear."

In his years at CIA, then as Lyndon Johnson's deputy national security adviser, in ambassadorial posts, as a senior analyst at Rand, as special adviser on NATO affairs to the secretary of defense and most recently as under secretary of defense for policy, Robert W. Komer has played in about a dozen war games which crossed the nuclear threshold. He said, "It's been my experience that, almost invariably, it's the civilians who are the most bloody-minded of all and the military who are the most prudent. And the most bloody-minded of them all," Komer adds, "have been the State Department types."

Asked if his experiences would suggest that the civilian opted to "go nuke" more often than the military, James Schlesinger agreed: "I think there is some inclination in that direction. The military does tend to be more cautious." Once a Rand analyst whose work focused on strategic issues, Schlesinger has served as chairman of the old Atomic Energy Commission, associate director of management and budget for national security programs, CIA director, secretary of defense and secretary of energy.

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NEW YORK TIMES  
28 OCTOBER 1981

# Risk Analysis Big Business For Ex-Aides

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Oct. 27 — At the end of a long shadowy corridor in a nondescript office building three blocks from the White House, the sign by the locked door reads International Business Government Counsellors Inc.

After pressing a buzzer, the visitor is swiftly led into a room filled with books, a large map of the world and secure filing cabinets. The air is heavy with the aromatic smoke of pipe tobacco.

William E. Colby, a former director of the Central Intelligence Agency, appraises a visitor from behind steel-rimmed glasses and then ever so circumspectly describes his new job for private industry as an "investment risk assessor."

It's a "natural follow-up" to his experience in intelligence, he says, and then briefly sizes up conditions in Egypt, Saudi Arabia, Mexico and France as he used to do for his former client in the Oval office.

## Thoughts on Saudi Royalty

One of his conclusions: Expect a devaluation of Mexico's currency before next year's general elections. Another: The Saudi royal house has far deeper political roots in that country than the Shah had in Iran and is therefore not ripe for a coup.

Mr. Colby is a leading practitioner of a burgeoning industry in Washington, the selling of expertise to the private sector by former Government officials. It's known as the "revolving door" in the trade, and has existed for decades.

Lawyers in regulatory agencies take jobs with the companies they once regulated. Former trade officials advise private clients on United States trade policy. Former Cabinet officers, with fresh knowledge of the inner workings of Government, provide new input to their old law firms or to the boards of private companies.

But now, after the collapse of the Shah in Iran and the clobbering that many companies took in failing to foresee the revolution, a growing number of former officials, particularly those with experience in intelligence or the foreign service, are becoming investment risk assessors for multinational companies.

## A One-Man Consulting Concern

Richard Helms, another former top C.I.A. official, who was once the American envoy to Iran, now runs a one-man consulting operation, which he calls Safeer, after the Persian word for ambassador. Among his clients is the Bechtel Corporation, the international construction enterprise that thrives on contracts with various Middle Eastern countries.

James R. Schlesinger Jr., who had been Defense and Energy Secretary as well as director of the C.I.A., now advises Lehman Brothers, Kuhn Loeb. One of his current tasks is the examination of investment possibilities in China for a host of Lehman clients.

Not all have come in out of the cold.

James A. Johnson, who was executive assistant to Vice President Mondale, and two other Carter Administration appointees, Richard C. Holbrooke, Assistant Secretary of State for East Asia, and Decker Anstrom, who had a high position in the Office of Management and Budget, have formed a consulting operation that they call Public Strategies.

The assessment of a country's political stability is only one element of what has become a highly sophisticated and specialized business of investment analysis.

## Review of Tax Policies

The analysts also look at a country's regulatory process and tax policies to see whether they will be excessively burdensome for the companies considering doing business there.

While there has been a proliferation of independent risk-analysis consultancies, they are now due for "some kind of shakeout," said Gordon Rayfield, who is president of the Association of Political Risk Analysts, which has 300 members. Multinational companies are starting to build in-house departments of full-time investment analysts. Gulf, Exxon, Mobil, General Motors, and Chemical Bank and Chase Manhattan are among those that have moved in this direction. The Chase uses the services of former Secretary of State Henry A. Kissinger on its risk committee for foreign loans.

Risk analysis is even being taught at some universities. Georgetown University's School of Foreign Service is among these. And the professor, Thomas Reckford, not surprisingly is a former operative for the C.I.A.



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9 September 1981

STAT

James R. Schlesinger

# Reagan's Budgetary Dunkirk

The last rites have now been pronounced over the great rearmament boomlet of 1981. Its demise had been expected by the diagnosticians for some time. Like Halley's comet, it visited us and then departed quickly, trailing only a long (though quite insubstantial) tail deserving further observation.

For the past six months the defense debate has focused on the wrong issue: could the "immense" funds ostensibly being made available to the Department of Defense be usefully spent in significantly enhancing the security of our international position. With the Soviet Union outspending the United States by some 50 percent on defense generally and by a disturbing 85 percent in the critical area of military investment (procurement), with conventional capabilities in Europe porous and relatively weak and theater nuclear forces now overshadowed by those of the Soviet Union, with deterrence flimsy (at best) in the region of the Persian Gulf despite the West's enhanced interests and responsibilities, with the naval balance deteriorating in the Far East, and with trouble even in the Caribbean (and an evanescent threat "to go to the source")—not to mention concern about the strategic balance, Minuteman vulnerability and aging B52s—that should have been an issue in principle easy to resolve. Yet, all along the real question should have been—given the administration's fiscal proposals—how to maintain adequate deterrence with growing responsibilities in the Indian Ocean and with resources dramatically less than those invested by the Soviet Union.

Seven months have been wasted on an irrelevant debate. We shall now have to make do with a smaller growth in defense resources than that projected by the Carter administration—previously denounced as hopelessly inadequate. So much for "making America strong again," "closing the window of vulnerability" and the vaunted "superiority" so casually endorsed in the Republican platform.

The unavoidable outcome, given its fiscal goals, seems genuinely to have surprised the Reagan administration. Disregarding the normal laws of arithmetic, and bemused by its own distortions of supply-side economics (alternatively known as "voodoo economics," snake oil or the Tooth Fairy), it lulled its pro-defense supporters (and itself) with farfetched projections supposedly demonstrating that the proposed rearmament effort could be achieved in the face of a massive shrinkage of the tax base.

According to the initial mythology, dramatically lower interest rates and cutting the "balance of government" almost in half (everything beyond interest payments, defense and the "social safety net") would permit the achievement of a balanced budget by 1984. But interest rates have risen rather than fallen, and only so much blood can be squeezed from the "balance of government" turnip, so the cuts unavoidably must now come from the fenced "social safety net" or from defense. More significantly, the recent tax legislation—which seems likely to go down in history as the single most irresponsible fiscal action of modern times—reduced the tax base to 19 percent of the GNP by 1984 (with expenditures running some 22 percent of the GNP), a revenue reduction of \$150 billion or roughly 17 percent. As an offset, some \$35 billion in non-defense expenditure reductions have now been achieved—less than one-third of those projected for 1984, less than one-fourth of the revenue loss.

The budget director, occupationally debarred from an abiding faith in the Tooth Fairy, has now read the grim arithmetic—the equivalent of a Budgetary Dunkirk. The fiscal consequences may be briefly, if sadly, stated. Unless the tax reductions are reversed—which seems unlikely—on the basis of present legislation and projected defense spending, the nation faces growing budget deficits of \$65 billion in 1982, \$90 billion in 1983 and \$120 billion in 1984. Non-defense reductions will be increasingly hard to achieve. Thus, only the total jettisoning of the administration's goal of a balanced budget will permit even a modified defense buildup to survive.

Nor should one believe that with the half-announced cuts for defense of \$20-\$30 billion we have reached the end of likely defense reductions. The best current estimate for FY 82 outlays is \$715-\$720 billion (\$20-\$25 billion over ceiling). The ceiling for FY 83 in the revised Reagan budget is \$732 billion—a total increase over 1982 of \$12-\$17 billion. Limiting spending to this ostensible ceiling, given probable inflation rates, would imply a reduction of real federal expenditures by 6-7 percent. Not very likely. Far more probably 1983 expenditures will run roughly to \$775 billion—a sum \$45 billion over the presumptive ceiling. Substantially to reduce the out-year deficits, given the growing difficulty in

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achieving non-defense cuts, would probably require that some three out of four dollars in reductions come from defense.

One can always spend less—*by doing less*. Gone now are the fancies of nine additional tactical air wings, of three additional Army divisions. Gone, too, in all probability, is the 600-ship Navy—unless, like Jefferson, we provide mostly frigates or gunboats. Embarking on major new systems like MX or B1 or new acquisitions like carrier task forces will ultimately lead to an ill-balanced force by leaving insufficient funds for operations, readiness and sustainability.

The planned buildup for NATO will have to be reduced—especially so in light of Indian Ocean requirements. What an ideal moment, given the anti-nuclear tide running in Europe, to increase the degree of dependence on nuclear weapons and diminish conventional capabilities.

The international ramifications are disquieting—to say the least. The already apprehensive Europeans will conclude that, while the United States is prepared to disturb the international scene by threatening to launch an arms race, it is now seen to be unwilling to provide the resources either to run the race or to provide additional military muscle. The Soviets will not be loathe to exploit those European apprehensions. Moreover, the Soviets will conclude that, despite American bluster, they have little to fear in terms of additional forces to narrow the growing disparity in military capabilities. As for the Japanese (and others), this notable example implies that we might as well abandon the effort to persuade them significantly to increase defense spending.

In creating and maintaining forces, wishful thinking is no substitute for an adequate tax base. In this ill-fated venture the cycle from bold words to budget cuts has been the shortest on record—a kind of instantaneous New Look. The historic failure lies in so casually dissipating the carefully forged national consensus supporting higher defense spending—while leaving in the public mind the illusion that a sizable new defense effort has actually been launched.

*The writer was acting budget director, director of Central Intelligence and secretary of defense in the Nixon administration.*



ARTICLE APPEARED  
ON PAGE C7THE WASHINGTON POST  
2 August 1981*David Wise*

# Who Will Control the CIA Outsiders or the Old Boys?

William J. Casey has survived as CIA director, at least for the moment, but the wrong conclusions will probably be drawn from the Senate investigation of his activities and the pratfall from power of his spymaster, Max Hugel.

The moral of the story, some will assume, is that the CIA should be left to the professionals. That, of course, is precisely what the powerful network of Old Boys, both inside and outside the CIA, would like the public to think. The intelligence professionals, the career spies, prefer to regard "the agency" as their private preserve. Outsiders are poachers.

While the controversy may have appeared on the surface to be a struggle between the Senate intelligence committee and Casey, the real struggle was over who will control the CIA. Arrayed on one side were Casey and the president, who gingerly supported his CIA director. On the other side were the Old Boys, the present and former CIA professionals, and their allies on Capitol Hill.

It was an old battle played out again with a new cast of characters. Back in 1965, President Lyndon Johnson appointed Adm. William F. Raborn Jr., the man responsible for the development of the Polaris missile, as CIA chief. The Old Boys were annoyed. Within weeks, stories found their way into print reporting that at CIA meetings Raborn was a muddle of confusion, "so unlettered in international politics," as Newsweek put it, "that he could not pronounce or even remember the names of some foreign capitals and chiefs of state." Six months later, Raborn was out as CIA director. With the admiral piped ashore, Johnson named a professional, Richard Helms, to the post.

Besides Raborn and Casey, at least two other outsiders who served as CIA directors were targeted by the professionals. President Nixon named James A. Schlesinger to the job in 1973. Schlesinger fired a number of Old Boys, arousing much ire within the agency. Under Jimmy Carter, Adm. Stansfield Turner managed to survive as CIA chief, but many old agency hands refer to him mockingly as "the Admiral."

The current flap had its unobtrusive beginnings late in March when Casey quietly moved John McMahon out as deputy director for operations (the CIA's covert side) to head intelligence and analysis. Then, on May 11, Casey tapped Hugel, who had worked with him in the Reagan campaign, to be the DDO.

Only four days later, on May 15, Cord Meyer, the covert-operator-turned-columnist, surfaced Hugel's name, revealing the appointment of "a rank amateur" to head the agency's cloak-and-dagger directorate. The drama had begun.

Two brothers, former business associates of the Brooklyn-born Hugel, went to The Washington Post. On July 14, within hours of the newspaper's publication of charges of improper or illegal business activities by Hugel, he had resigned. There were those who argued, albeit not seriously, that the disclosures only proved Hugel's superior qualifications for the job. According to the Hugel tapes and other revelations in The Post, the spymaster had threatened to kill a lawyer who got in his way, warned his business associate that he would hang him by the testicles and admitted (in his unpublished autobiography) that he was a liar, informer and a bunko artist. To top it all, he beat the CIA lie detector. What finer background could *anyone* have to head the CIA's dirty tricks division?

But Hugel went quickly down the tube. Perhaps, one anonymous White House official speculated, with some help from "former intelligence officials." Whether anyone, inside or outside the CIA greased the ways for Hugel's fall, remains, like so much about the agency, clouded in mists. But it is very clear that Casey's appointment of Hugel, a one-time sewing machine manufacturer, rankled the CIA professionals like nothing in recent memory.

From the tree-shaded lanes of Langley to the Federal-style homes of Georgetown, the sputtering could be heard wherever old spooks gathered. It was as though a busboy had suddenly been made a Member of the Club. Unheard of!

On the very day that Hugel resigned, stories mysteriously surfaced noting that a federal judge—two months earlier on May 19—had ruled that Casey and others had "omitted and misrepresented facts" to investors in Multiponics, Inc., a company that owned farm acreage in the South. In succeeding days, Casey's image came to resemble nothing so much as a series of ducks in a carnival shooting gallery. One duck carried a sign reading "Multiponics." Others read "Vesco," "ITT," or had similar labels of cases in which the CIA director's name had figured in the past. No sooner would one duck be shot down than another would pop up.

Casey had concealed a \$10,000 gift, said one story. Casey had links to a New Jersey garbage man who might have links to the Mafia, said another. Soon Barry Goldwater and other influential Republicans were calling for Casey's resignation. In the midst of it all, Samuel and Thomas McNell, Hugel's accusers, vanished.

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CONTINUED

*James R. Schlesinger*

# 'The U.S. Will Now Be Forced to Choose'

That the Mideast provides combustible matter for international conflagration akin to the Balkans prior to World War I has now become almost a cliché. Two distinctive elements make it impossible to treat conditions in the Mideast with the indifference normally accorded to clichés. First, unlike the situation in the Balkans in the pre-World War I period (which prospectively involved only the prestige of the contending great powers), the vital interests of the West—indeed, the entire free world—are wholly engaged in continuing access to the energy resources of the Persian Gulf. Second, the existence and prospective further spread of nuclear weapons, which might be employed in a Mideast conflagration, geometrically add to the inherent danger of this tinderbox.

The raid on the Osirak research reactor near Baghdad significantly complicates the politics of the Mideast and reduces diplomatic maneuver room, especially for American diplomacy. Aside from the enhancement of Menachem Begin's electoral prospects—a purely domestic matter—the principal beneficiaries of this development are the Soviet Union and, to a lesser extent, the Khomeini regime in Iran, which may draw satisfaction from the humiliation of Saddam Hussein. Even the advertised goal sharply to circumscribe the spread of nuclear capabilities is, for reasons I'll get to in a moment, essentially transitory and probably paltry. On balance, the decision to strike has probably augmented the forces undermining Israel's international position. Begin has not merely demonstrated his disdain for his neighbors with whom Israel must ultimately coexist and for international opinion in general; he has placed his treaty partner, Egyptian President Anwar Sadat, in a most awkward position and has apparently been indifferent to the substantial embarrassment of Israel's protector, the United States. As a small state (unlike, say, the Soviet Union), Israel's ultimate survival cannot rest on a flagrant disregard for what Thomas Jefferson called a decent respect for the opinion of mankind.

The additional costs associated with the raid, regrettably, may be quickly listed: the aborting of the peace process (or what was left of it); additional reentry points for the Soviet Union into the region; the weakening of Arab moderates and the coalescence of the Arab world on more radical lines; the reinforcement of European distrust of America's policies and role in the Mideast, and a

strengthening of Europe's desire to strike out on its own; and the premature forcing of the United States to a decision point—in effect, the unmasking of American diplomacy. Moreover, like the simultaneous crises in Hungary and at Suez in 1956, this episode may dilute the attention focused on Eastern Europe and provide the Soviets with cover for whatever mischief they may embark on in Poland. To all this, Begin appears sublimely indifferent.

This catalytic event has also underscored the substantial void in American foreign policy. This may turn out to be beneficial, since the situation is presumably curable. Nonetheless, aside from Latin America, the Reagan administration in five months has done remarkably little in establishing the specifics of goals and instruments, which are the substance of foreign policy. Elsewhere the specifics are unformed or, at best, tenuous. Opposition to Soviet activism or international terrorism may be welcomed; but that represents a mood or an inclination rather than concrete policy (better revealed by expanding grain sales). Anti-communist rhetoric is no substitute for well-defined policy. Least of all, whatever its value as copy for the Washington fun-and-games department, does the recent phenomenon of let's-all-pummel-the-secretary-of-state-to-teach-generals-requisite-humility constitute foreign policy? The attack at Baghdad thus forces the administration, inclined to breeze along on an image of domestic good will and international toughness, to focus on the specifics of foreign policy, notably in the Mideast, and on nuclear proliferation.

To this point, the administration's approach in the Mideast has been to focus on the Soviet threat and to seek a "strategic consensus" presumably ending in cooperative action of the states of the region in improving the military deterrent to Soviet intervention. While such an outcome would be highly satisfying to many of us, it is the height of American ethnocentrism to assume that the states of the region will abandon their immediate concerns and embrace our own. For both Israel and its Arab neighbors, worry about the other's intentions and actions constitutes a clear and present danger, which they will scarcely forget simply to accommodate our concern regarding the longer-term though lower-probability threat to the region posed by the Soviet Union. Any hope that regional attention could be focused northward, in the absence of a simultaneous and effective grappling with the internal tensions of the region, must now be abandoned. The raid, in short, means the end for that particular drift in American policy preferences, for it has sharpened the apprehensions about the unresolved internal conflicts, while raising in-

creased doubts about the effectiveness of the American role in the region.

With regard to these regional tensions, the United States might have preferred to temporize. It can do so no longer. The raid makes these tensions central—and underscores U.S. inability to fulfill its expected role of ensuring Israeli restraint. The United States will now be forced to choose. On the one hand, we may tacitly condone the raid by maintaining arms shipments to Israel.

To condone the attack—including Israel's use of American-supplied weapons in a manner dubious under American law—requires in logic a far higher priority for anti-proliferation policies than the administration has exhibited to date. Sen. Alan Cranston and others may quite consistently, in view of their long-term stress on preventing the spread of nuclear weapons, find the Israeli strike justifiable. So could the Carter administration, with its well-advertised, if ineffective, policies to prevent proliferation. But, to date, the Reagan administration has been indifferent or fatalistic about the spread of nuclear weapons, perhaps most dramatically so in terms of its evolving support and military assistance for Pakistan. Having immediately condemned the attack, the administration will find it doubly hard subsequently to condone it on the basis of non-proliferation objectives to which it so far has been rather indifferent. If the arms flow to Israel continues, in the face of the proprieties of American law, the distrust of American motives and of its intended role as honest broker in resolving Arab-Israeli differences will be significantly heightened.

Since Israel's own power is quite limited, its unilateral effort to prevent the spread of nuclear weapons in the region will prove, at best, transient. An issue on which the superpowers agree, though even they are limited in their ability to grapple with the problem, is certainly beyond Israel's very limited abilities. Israel's action may, by dramatizing the issue, strengthen Arab determination to acquire nuclear weapons. Perhaps more significant, it should be recalled that the initial move toward "the Islamic bomb" and the soliciting of support for that venture was by Pakistan's Ali Bhutto in the middle 1970s. And, despite Begin's provocative rhetoric, Pakistan lies beyond the reach of Israeli war planes and is, moreover, under American protection.

To prevent the spread of nuclear weapons in the region, Israel's own power is far too limited. The best that might be hoped for from Israel's badly-thought-through though brilliantly executed strike is that it could once again focus international attention on the problem of proliferation. Yet, it will do so in a badly deteriorated international climate.

Together the Mideast and Poland pose two prospective crises for the United States in the next few weeks—with the secretary of state abroad in China. It should provide a serious test of the administration's new crisis management machinery.

*The writer, who was secretary of defense during the Mideast airlift in 1973, also served as director of the Central Intelligence Agency and chairman of the Atomic Energy Commission.*

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WASHINGTON STAR  
19 APRIL 1981

# Soviet Arms Spending Reported Rising 10%

## Detente-Fueled Trade Seen Aiding Moscow

By Henry S. Bradsher  
Washington Star Staff Writer

The Soviet Union plans to increase its spending on military equipment, which is already higher than U.S. weapons expenditures, by about 10 percent a year during the 1980s, according to a leading American specialist on Soviet military budgets.

The specialist, William T. Lee, also calculates that increased foreign trade has enabled the Soviet Union to devote more of its domestic production to armaments, and sees this as an example of detente's helping shift the military balance in the Soviets' favor.

As a private consultant working on contracts from the Pentagon and other sources, Lee has been presenting his findings to congressional committees and other panels around Washington in conflict with CIA specialists, among whom he once worked. He has contended for years that the CIA underestimates Soviet military spending.

The CIA admitted in 1976 that its estimates of the military burden on the Soviet economy, and therefore the priority that Kremlin leaders gave to armed strength, were too low. It doubled its estimate of the share of Soviet gross national product going into the armed forces and related military spending. The new range was 11 to 13 percent.

Since that admission, which adjusted CIA figures to close to what Lee was already calculating, Lee has won an increased following among U.S. and Western European students of the subject. Scanty estimates published by China support Lee.

With its overall economic growth slowing down while military spending continues to speed up, the Soviet Union is now spending 12 to 14 percent of GNP for military purposes, the CIA says. It estimates a ruble figure of 61 to 72 billion in 1980.

Lee and another leading critic of the CIA estimates, Prof. Steven S. Rosefielde of the University of North Carolina, say the agency's estimates again fallen behind the facts. Lee calculates that the figure was 18 per-

cent in 1980, and Rosefielde's critiques of CIA estimating methods support this.

Lee says the percentage will rise to above 20 on the basis of the pattern of allocations in the 1981-85 Soviet economic plan.

Former Defense Secretary James R. Schlesinger, who was critical of the CIA estimates when he headed the agency in 1973, said the other day that he believed "the Soviets are devoting 17 or 18 percent of their national effort to military efforts. The CIA numbers may be misleading," with the agency trapped in methodology that underestimates the magnitude of the military effort, he said.

The Reagan administration's proposals would increase U.S. defense spending for the 1982 fiscal year to slightly over 6 percent of GNP. Announced plans would raise that to a little over 7 percent by FY 1986.

Both the CIA and its critics contend that an understanding of the share of Soviet GNP going into its military effort is important. Western intelligence agencies have what they believe to be a pretty good count of Soviet missiles, tanks and submarines, regardless of their cost. But knowing the economic burden tells Western leaders much about Kremlin thinking.

In the new Soviet economic plan, both investment in future growth and consumer goods output will increase at a slower rate than in the past. But military spending will continue to speed up at the expense of other sectors of an increasingly sluggish economy. This shows a Soviet devotion to armed power as more important than future prosperity or present living standards.

This fits the picture of Kremlin thinking described in articles by National Security Council specialists on the Soviet Union.

Army Brig. Gen. William Odom, who worked on the Carter adminis-

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me as central to Soviet Communism as the pursuit of profit is to societies with market-oriented economies."

Lee contends that during the 1970s the Soviet Union increased its sales to market economies of natural gas and other raw materials in order to import more advanced industrial equipment than it could produce itself. Not only did it get better equipment this way but it also freed some of its own industrial capacity to concentrate on weapons.

Thus, according to Lee's calculations from Soviet data, the era of detente made it possible for the Kremlin to order more and better weapons rather than diverting the economy from armaments to more peaceful purposes — as has been widely believed in the West, especially by Europeans who have been eager for Soviet trade.

Lee draws his conclusions primarily from Soviet data, adjusting them to include in military spending many things hidden elsewhere in the Soviet budget than under published defense accounts. He says the Soviet Union is now making a military effort of between 108 and 126 billion rubles a year, rather than the 62 to 71 billion estimated by the CIA.

Under Lee's questioning in congressional hearing whose transcripts were published late last year, the CIA conceded that its rubles were artificial values rather than the real rubles that would show up in the secret Soviet accounts. The U.S. government therefore lacks any official estimate of actual Soviet spending, Lee argues in his often scathing denunciations of the expensive CIA effort to find Soviet military figures.

In a confrontation last Wednesday between a CIA official, James Steiner, and Lee, Steiner disclosed that the agency knew actual ruble prices of only 135 things that the Soviet military buys. Other prices are computed by various means, including estimating dollar costs and then using ratios to convert to rubles.

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