

12/6/78 [2]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	McIntyre to Pres. Carter, 3 pp., re: Defense budget	12/5/78	A
Memo	McIntyre to Pres. Carter, w/attachments 5 pp., re: NATO	12/1/78	A
Memo	Hugh Carter to Pres. Carter, w/attachments 8 pp., re: Security violations	12/4/78	C
Letter	Laurence W. Levine to Pres. Carter, w/attachments 6 pp., re: personal matter	11/22/78	C
Letter	Joseph Prunkis to Pres. Carter, w/attachments 3 pp., re: personal matter	12/1/78	C

*opened per RAC
NLL-126-15-17-1-6,
6/27/13*

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File, 12/6/78 [2] Box 111

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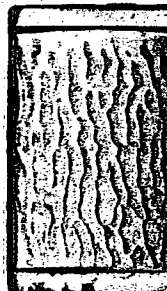
THE WHITE HOUSE
WASHINGTON
06 Dec 78

Hamilton Jordan
Phil Wise

The attached was returned
in the President's outbox
today. It is forwarded to
you for appropriate handling.

Rick Hutcheson

Tim Kraft
Jerry Rafshoon
Fran Voorde



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THE WHITE HOUSE
WASHINGTON
December 5, 1978

*Ham - Can't
I get out of
this ? a) crucial
time b) Time for
bi-partisan image
J*

TO: The President
FROM: Phil *Phil*

The Democratic Finance Council (300 plus spouses)
will be in Washington the week of January 22.

Chairman White and Chuck Manatt request
a reception for them here at the White House on
Wednesday, January 24.

Kraft endorses.

_____ approve _____ disapprove

ID 786048

THE WHITE HOUSE

DATE: 01 DEC 78

FOR ACTION: FRANK MOORE

WASHINGTON
HOLD TIL
SAT for Sec'd

ZBIG BRZEZINKSI

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

SUBJECT: CONFIDENTIAL MCINTYRE MEMO RE DEFENSE COMMITMENT TO A
NATO AWACS PROGRAM

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

ACTION REQUESTED.

IMMEDIATE TURNAROUND

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW.

~~CONFIDENTIAL~~



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 1, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *Jim*
SUBJECT: Defense Commitment to a NATO AWACS Program

We have just learned that Harold Brown intends to sign a Multilateral Memorandum of Understanding in Brussels next Tuesday, committing the U.S. to an eighteen aircraft NATO (Shared) Airborne Warning and Control System (AWACS) program. He undoubtedly plans to discuss the matter with you during Monday's meeting.

While we believe that NATO AWACS supports your objectives to strengthen NATO forces and encourages NATO cooperative programs, there may be difficulty in obtaining necessary congressional support for the proposal because of the following considerations:

. Costs

- We are committing ourselves to a multi-year costly program. Total acquisition costs for 18 aircraft are estimated at \$1.8 billion in 1977 dollars and well over \$2 billion in current dollars. Unit costs would increase if planned Iranian procurements do not materialize.
- We may be perceived as paying more than our fair share. The U.S. share is \$770 million, or 42% of the total, and our funding of the program is heavily concentrated in the first years (1979-81) where we pay about 60% of costs. The U.S. will not receive any credit for the 28 aircraft already purchased (primarily for use in NATO), while the U.K., on the other hand, which will pay only \$20 million, is taking full credit for their planned buy of Nimrod aircraft for NATO use.

. Legislation

- The agreement requires authorization and appropriation by April 1 of a \$100 million 1979 supplemental. This could be part of the \$2.1 billion Defense supplemental now under consideration. Another \$230 million would need to be included in the 1980 Defense program. In addition, the Arms Export Control Act of 1976 would need to be amended. This Act now requires that foreign military sales not be subsidized by Defense appropriations. The proposed agreement, however, would provide free program related services to our Allies worth about \$50 million.

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Per: Rac Project
ESDN: NLC-126-15-17-1-6
BY: KS NARA DATE: 6/25/78

- OMB Congressional liaison advises that while FY 1979 Defense supplemental will likely be authorized, appropriation bill approval in Congress will be much more difficult. Defense may propose a special NATO AWACS supplemental to be given high priority by Congress, but there is a question as to whether the needed groundwork with Congress on this approach has been done. Required changes to the Arms Export Control Act will also be difficult. In our judgment, there is little possibility that these three legislative actions could be completed in 1979, much less by April 1. Congressman Addabbo, who is likely to be Chairman of the Defense Appropriations Subcommittee, has expressed strong reservations both about requirements for AWACS and also about any DOD subsidies to foreign sales. Thus, a U.S. commitment at this time runs the risk of congressional deferral or disapproval or may require a large expenditure of political capital in order to secure approval.

RECOMMENDATION

We recommend that Frank Moore provide a quick assessment of the prospects for enactment of the legislative package. * We recognize, however, that since the German Parliament, after extensive debate, has just given funding approval to the AWACS program and since Harold Brown has given his strong personal support to the program, it would be highly embarrassing not to have U.S. approval for next Tuesday's signing. We have alerted NSC staff, and they should be asked for a foreign policy assessment of alternative U.S. actions.

*Congressional Liaison agrees, and will be prepared to do so.

THE WHITE HOUSE

WASHINGTON

CONFIDENTIAL

December 2, 1978

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *ZB*

SUBJECT: Defense Commitment to NATO AWACS Program (U)

Harold Brown hopes to sign a multi-lateral Memorandum of Understanding in Brussels next week committing the United States to contribute to a common NATO fund that will be used to buy a force of AWACS aircraft. OMB is concerned that we may be making too generous a contribution to the fund. They are also concerned that we may not be able to gain Congressional approval for the \$100M in FY 79 Supplemental funds that would be required. Finally, they believe that the Memorandum of Understanding would require amendment of the Arms Export Control Act of 1976 to allow us to contribute about \$50M in program-related services that are now called for in the memo. (C)

While we may indeed have problems on the Hill, I think OMB is overemphasizing the possibility of such difficulties. The legislative history on NATO AWACS is well established -- Congress has already authorized and approved funds for the program -- and the program would be implemented consistent with the law one way or another. (U)

As you know, the Defense Department has been trying to pull together an arrangement for several years now, and a great deal of arm twisting, particularly of the Germans, was required. Thus, I believe that a refusal to authorize Harold's signing of this agreement would be very damaging to our NATO revitalization efforts in general, and to Harold's credibility with our NATO Allies as well. (C)

RECOMMENDATION

That you authorize Harold to go ahead and sign the agreement. (U)

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Declassify on
December 1, 1981

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Per, Rac Project
ESDN: NLC-126-15-174-C
BY JCC NARA DATE 6/25/83

~~SECRET~~



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

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December 5, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *JTM*
SUBJECT: Defense Budget

Subsequent to this morning's meeting Harold and I have talked about how we should proceed from here. We agree that Defense should provide complete programs at the four total levels we discussed (\$132, 134, 135, and 138B). In addition, I would like to ask Harold to respond to the specific issues we raised with you in the budget review (see attachment).

I think that it is important to put the Defense passback in context. The tone and outcome of this morning's meeting on the Defense budget derive, I believe, from some major and long-standing differences between OMB and Defense. These differences essentially represent beliefs and procedures embraced by DOD which are not present elsewhere in the Executive Branch.

I am concerned that these continuing differences could complicate or even disrupt your final budget decisions in what we all know will be a particularly tough environment. In an effort to avoid this, let me cite briefly what I believe to be the roots of the difficulty and suggest that, to the extent you share my conclusions, you discuss these procedural issues with Harold. In order to focus our final DOD budget session on the 18th, I have suggested a "passback" from me to Harold which cites tentative issue decisions and a few alternative levels, and asks for Defense's reclama. Only in this way do I believe we can avoid a repeat of this morning's tone of "Only DOD knows what a proper program looks like, so give us a level and we'll fill in the program."

I believe the following four factors contribute most directly to the current situation:

-- The Department continues to issue planning guidance to the Services well in excess of your planning levels. The system therefore guarantees unrealistically high expectations, and gives relatively less attention to good program design around more likely total levels. In short, the pain which Harold sees OMB inappropriately inflicting at the end of the process is in fact caused by the existing process' avoidance of pain at the start.

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Per, Rac Project

ESDN: NLC-126-15-17-1-6

BY KS NARA DATE 6/25/13

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-- While other federal agencies (including the Military Services) seem to be taking ZBB seriously, DOD has to date done no detailed ranking other than in broad, multi-billion dollar bands. (Last year, the Secretary did create such a list, so it can be done). The area of our focus (below the DOD "basic") has thus far been treated only in the most macro sense, i.e., a \$5B unranked "pot" of programs. Although DOD "is working on" these key rankings even now, these ZBB products should have been a part of the year-long PPBS system from the beginning.

-- DOD argues that there is something called a "coherent balance" of programs at each budget level, and that only the Department knows how to strike such a balance. At the extreme, this posture leads to an argument which says that, if we delete \$100M from a \$135B program, DOD (and only DOD) must rebalance the entire budget. I believe Defense can provide a ZBB ranking (as the DCI, for example, has) for items near the relevant margin of debate so that you can make an informed judgment about a total in the context of the program.

-- Finally, of most concern to me is DOD's insistence that there are a series of "program issues" which only they can judge, and a series of non-program items which it is appropriate for OMB to examine. This is in my view an extremely artificial -- and essentially unsupportable -- distinction. The problem derives in great part, I believe, from DOD's self-imposed difficulty of creating a "desired program" costing more than available budget guidance in advance of the budget process, and then trying to protect that "program" from any subsequent review or reduction.

Harold's memo for today's meeting identifies a large number of high priority programs which he would reluctantly drop at levels below \$138B. The memo (and presentation) this morning gave only passing treatment, however, to the large driving assumptions Harold has made regarding O&M, military construction, R&D and general procurement, which are the real areas of disagreement between DOD and OMB. By not focusing their presentation on these latter items (some \$90 billion), DOD leaves you the impression that total budget reductions can come only by cutting important pieces of force structure -- XM-1 tanks, F-16's cruise missile carrier, etc. Obviously, I do not believe this is your only alternative, and OMB's "budget" would retain almost all of these DOD "cuts."

We in OMB have striven for two years to work out with DOD solutions to our differences on these points. Further, the essential ingredients for a detailed ranking effort -- including even a well-designed computer capability -- are in place in DOD. But, thus far Harold has opted against using this approach. Therefore, I must reluctantly conclude that we are worse off now than before. Perhaps some direct discussion between you

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and Harold would help. In the meantime, I am concerned about the nature of our Defense appeal session on the 18th. I believe that we must focus the debate on both the levels and specific issues which we (you, I, Zbig, Frank and others) feel strongly about. To that end, I request your approval to advise Harold Brown of the attached tentative decisions on the 1980 Defense budget.

~~SECRET~~

THE WHITE HOUSE
WASHINGTON

12/6/78

president's programs/
material from metropolitan
opera, 12/5/78

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Giuseppe Verdi

Aïda

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OPERA

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