

<b>OASD/ISA INTRAOFFICE CONTROL SHEET</b>	<b>DATE</b> 14 March 1979	<b>LOG NO.</b> I-2959/79ct
<b>SUBJECT:</b> Conflicting Statements before Two Subcommittees of the House Committee on Foreign Affairs		<b>CURRENT SUSPENSE DATE:</b>

SUMMARY (Describe briefly the requirement, background and action recommended):

**ORIGIN:** Chairman Zablocki of the House Committee on Foreign Affairs sent a letter (TAB C) to the ASD/ISA on 8 March 1979 requesting a full and complete explanation concerning conflicting statements provided to two subcommittees of the Committee on Foreign Affairs. An explanation of how the conflicting statements came about is provided in the proposed response to Chairman Zablocki at TAB A. A summary chronology of events is at TAB B.

**RECOMMENDATION:** That you sign the proposed letter to Chairman Zablocki at TAB A.

**COORDINATION:** DSAA, and OSD/Legislative Affairs.

*G. J. Schuller*  
G. J. SCHULLER  
RADM USN

Director, Inter-American Region

## Attachments

a/s

Document determined to be Unclassified  
Reviewed Chief, Records & Declass Div, WHS  
IAW EO 13526, Section 3.5  
Date: Oct 23, 2018

Page determined to be Unclassified  
Reviewed Chief, Records & Declass Div, WHS  
IAW EO 13526, Section 3.5  
Date: Oct 23, 2018

SEQ NO	INTERNAL COORDINATION	INITIAL	DATE	SEQ NO	INTERNAL COORDINATION
<input checked="" type="checkbox"/>	ASSISTANT SECRETARY	S			DASD-P/PL&NSC AFF
<input checked="" type="checkbox"/>	EXECUTIVE OFFICER	XO			DIR, P/PL&NSC AFF
	RECORDS & CONTROL	RC			DEP DIR, NSC AFF
	PRINCIPAL ASSISTANT	SA			DIR, MBFR TF
	DIR, LAW OF SEA TF	LS			
	DEP FORMC&TO	TO			DASD-INT'L ECON & PW
	SPEC ASST FOR CONG REL	DS			DIRECTOR, IEA
	PRINCIPAL DASD	D			DIR, ST & D
	MILITARY ASST	DM			PRINCIPAL ADV (PW/MI)
	SPEC ASST TO PDASD	DT			DASD FOR SA
	DIR, FMR AFFAIRS	IF			DIR, SA PLANS & POLICY
	ASST FOR ADMINISTRATION	AD			PLANS & PROGRAMS DIV
	DASD FOR EA&PAC AFF	A			POLICY DIV
<input checked="" type="checkbox"/>	DIR, EA&PAC REG	AD	3/16		DEF SCTY ASST AGCY
	DASD EUR&NATO AFF	E		<input checked="" type="checkbox"/>	DIRECTOR
	DIR, EUR&NATO AFF	ED			DEP DIR
<input checked="" type="checkbox"/>	DIR, I-A REGION	IA	3/14	<input checked="" type="checkbox"/>	SPEC ASST
	DASD NE, AF&SA AFF	N			COMPTROLLER
	DIR, NE&SA REG	NE			DIR FOR SALES NEG
	DIR, AFRICAN REG	NA			

## COORDINATION OUTSIDE ISA (Continue on reverse)

ACTIVITY	NAME AND TITLE	INITIAL	DATE
<input checked="" type="checkbox"/> Asst to SecDef, Legislative Affairs	as letter <i>David W. Quant</i>		3-15

NAME, DIRECTORATE, EXTENSION, AND SIGNATURE OF ORIGINATING OFFICIAL:

MR. DAVID W. QUANT, Deputy Director, IA (OASD/ISA), X79301

*David W. Quant*



INTERNATIONAL  
SECURITY AFFAIRS

ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

21 MAR 1979

In reply refer to:  
I-2959/79

The Honorable Clement J. Zablocki  
Chairman  
Committee on Foreign Affairs  
U.S. House of Representatives  
Washington, D.C. 20515

Office of the Secretary of Defense  
Chief, RDD, ESD, WHS  
Date: 23 Oct 2018 Authority: EO 13526  
Declassify: X Deny in Full: \_\_\_\_\_  
Declassify in Part: \_\_\_\_\_  
Reason: \_\_\_\_\_  
MDR: 17 -M- 2234

S.U.S.C.  
+ 3552

Dear Mr. Chairman:

This is in response to your letter of March 8, 1979 concerning conflicting statements provided to two subcommittees of the Committee on Foreign Affairs. I would like to clarify the facts surrounding this unfortunate and unintentional incident in order that the transcripts of the two hearings can reflect the correct statements.

The statement of Rear Admiral Gordon J. Schuller, USN, Director, Inter-American Region, Office of the Assistant Secretary of Defense/International Security Affairs, which was read in Admiral Schuller's absence on February 13, 1979 by Mr. Richard Violette, Director of Operations, Defense Security Assistance Agency, before Congressman Yatron's Subcommittee on Inter-American Affairs is the correct statement.

The copy of the statement from which former Congressman Joseph E. Karth quoted in both his oral summary and written statement for the record in testimony on February 23, 1979 before your Subcommittee on International Security and Scientific Affairs was indeed obtained, as Mr. Karth related, from an official of the Department of Defense on the afternoon of February 13, 1979, the date of Congressman Yatron's subcommittee hearing. Regrettably, the copy of the statement which the DOD official provided to a representative of one of the members of the American League for Exports and Security Assistance, Inc., was a working draft, which the DOD official mistakenly assumed was the final statement. Although it is understandable that Mr. Karth assumed this to be the statement submitted to the Yatron subcommittee, the text of the February 13 subcommittee transcript accurately reflects the position of the Office of the Secretary of Defense.



The Department of Defense sincerely regrets the unintentional and unfortunate confusion resulting from the mistaken release of a working draft statement.

Sincerely,

(Signed)  
David E. McCiffert  
Assistant Secretary of Defense  
International Security Affairs

## CHRONOLOGY OF EVENTS

### February 12:

- Uncleared draft statement provided to Mr. Armacost, Mr. Monahan (OSD/PA/Security Review), and Mrs. Stout, DSAA. (Note: This version of the uncleared statement was the one obtained by Mr. Karth.)
- Mr. Armacost made extensive changes to the draft and recommended clearance by NSC Staff. OSD/Security Review cleared subject to clearance by NSC Staff.
- Revised draft incorporating initial comments of Mr. Armacost returned to him for further review. Further comments received from Mr. Armacost and statement revised accordingly. This version LDX'd to Christine Dodson, NSC Staff, for clearance and to Assistant Secretary of State Vaky for information.
- Approximately 9:00 P.M. Christine Dodson provided NSC comments on statement to RADM Schuller (and Mr. Quant) by phone and cleared statement subject to inclusion of these changes. NSC clearance represented collective input of Christine Dodson, Jessica Matthews and Robert Pastor. Statement retyped in final.

### February 13:

Copies of cleared statement were reproduced and provided to Mrs. Stout, DSAA, (for Yatron Subcommittee) and Mr. Monahan, OSD/Security Review. Cleared statement read into the record before Yatron Subcommittee by Mr. Violette in the absence of RADM Schuller.

### February 23:

Excerpt from uncleared statement introduced by Mr. Karth in testimony before Zablocki Subcommittee. Subsequent investigation by the Inter-American Region has revealed that a representative of Mr. Karth obtained the uncleared statement from DSAA on the afternoon of 13 February with both Mr. Karth and the DSAA representative under the impression that the cleared statement had been provided.

-----

The Inter-American Region has detailed notes of its investigation of the incident should more information be desired.



CLEMENT J. ZABLOCKI, WIS., CHAIRMAN

L. H. FOUNTAIN, N.E.  
DANTE S. PASCELLI, FLA.  
CHARLES C. DIBBS, JR., MICH.  
BENJAMIN S. ROSENTHAL, N.Y.  
LEE H. HAMILTON, IND.  
LESTER L. WOLFF, N.Y.  
JONATHAN S. BISHAM, N.Y.  
GUS YATTON, PA.  
CAROLIS COLLINS, ILL.  
STEPHEN J. SOLARZ, N.Y.  
DON WOKNER, WASH.  
STERNY E. STODD, MASS.  
ANDY IRELAND, FLA.  
DONALD J. PEASE, OHIO  
DAN M'CA, FLA.  
MICHAEL D. BARNES, MD.  
WILLIAM H. GRAY III, PA.  
TONY P. HALL, OHIO  
HOWARD WOLFE, MICH.  
DAVID R. BOWEN, MISS.  
FLOYD J. FITZMAN, IND.

WILLIAM S. BROOMFIELD, MICH.  
EDWARD J. DERWINKSI, ILL.  
PAUL FINDLEY, N.J.  
JOHN M. BUCHANAN, JR., ALA.  
LARRY WONG, JR., KANS.  
BENJAMIN A. GILMAN, N.Y.  
TENNISON GUYER, OHIO  
ROBERT J. LAGOMARINO, CALIF.  
WILLIAM F. GOODLING, PA.  
JOEL PRITCHARD, WASH.  
MILLCENT FENWICK, N.J.  
DAN QUAYLE, IND.

# Congress of the United States

## Committee on Foreign Affairs

House of Representatives

Washington, D.C. 20515

JOHN J. BRADY, JR.  
CHIEF OF STAFF

March 8, 1979

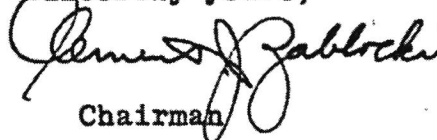
The Honorable David E. McGiffert  
Assistant Secretary for International  
Security Affairs  
Department of Defense  
Room 4E806  
The Pentagon  
Washington, D.C. 20801

Dear Mr. McGiffert:

The enclosed March 2 letter from Mr. Karth to me describes how he obtained a copy of Rear Admiral Schuller's statement to the Subcommittee on Inter-American Affairs on February 13, 1979 which I understand was not officially approved, released or submitted by the Department of Defense. Your full and complete explanation of this unfortunate matter is respectfully requested in order to properly and correctly rectify the record.

With every best wish, I remain,

Sincerely yours,

  
Chairman

CJZ:isj

enclosure

# American League for Exports and Security Assistance, Inc.

JOSEPH E. KARTH  
PRESIDENT AND GENERAL MANAGER

ROBERT A. BEST  
EXECUTIVE VICE PRESIDENT

HERBERT Y. SCHANDLER  
VICE PRESIDENT

RUSSELL B. LIGHT  
CHAIRMAN

CHARLES E. NICHOLS  
VICE CHAIRMAN

475 L'ENFANT PLAZA  
SUITE 4400  
WASHINGTON, D.C. 2

PHONE  
(202) 554-1107  
(202) 554-1106

March 2, 1979

The Honorable Clement J. Zablocki  
Chairman  
Committee on Foreign Affairs  
U. S. House of Representatives  
Washington, D. C. 20515

Page determined to be Unclassified  
Reviewed Chief, Records & Declass Div, WHS  
IAW EO 13526, Section 3.5  
Date: Oct 23, 2018

Dear Mr. Chairman:

In appearing before your Subcommittee on International Security and Scientific Affairs on Friday, February 23, 1979, I quoted, both in my oral summary and in my written statement for the record, from testimony which I indicated had been provided by a Department of Defense official to the Subcommittee on Inter-American Affairs on February 13, 1979.

My office has now been contacted by the staff director of your Subcommittee, Mr. Spalatin. He indicated to my associate, Dr. Herbert Y. Schandler, that an unnamed Department of Defense (DOD) official has stated to the Subcommittee that the DOD testimony from which I quoted was not an approved policy statement and had not been presented by the Department to the Subcommittee on Inter-American Affairs. The clear implication, apparently, was that in my testimony before your Subcommittee I had deliberately misrepresented the statement of Rear Admiral Gordon J. Schuller, USN, Director, Inter-American Region, Office of the Assistant Secretary of Defense/International Security Affairs. Mr. Spalatin asked me to indicate to the Subcommittee the source of Admiral Schuller's testimony from which I quoted. I am happy to do so.

Quite simply, we called and asked the Department of Defense for their testimony and they provided it to us. A representative of one of our members (since he was going to the Pentagon anyway) was provided, at his open and public request, the statement from which I quoted (and which I enclose). This statement was provided on February 13 by an official in the office of the Assistant Secretary of Defense/International Security Affairs at the Pentagon in response to his request for this testimony. The statement attached bearing Admiral Schuller's name and position was represented to him at the time, as the officially released Department of Defense testimony which had been read into the record before the Inter-American Affairs Subcommittee that very morning.

The Honorable Clement J. Zablocki  
March 2, 1979  
Page 2

Page determined to be Unclassified  
Reviewed Chief, Records & Declass Div, WHS  
IAW EO 13526, Section 3.5  
Date: Oct 23, 2018

Acting on this Department of Defense representation in good faith, I quoted from the release which had been openly and officially provided. I did not invent the DOD testimony from which I quoted nor did I steal it. Again -- it was given to us freely and openly, as the official testimony delivered before the Yatron Subcommittee on February 13, 1979.

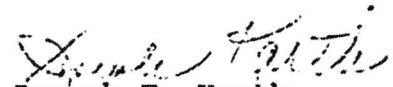
I am at a loss as to the Department of Defense actions in this regard. I suggest that some one in DOD made a mistake in releasing the uncensored version of Admiral Schuller's testimony. I don't know. I do believe strongly that the Administration should not conceal any important facts from the Congress. I also believe it is not necessarily my duty to expose disagreements within the Executive Branch. I do know that I would not knowingly attempt to mislead your Subcommittee or to misrepresent the testimony of others in any fashion whatsoever. Mr. Chairman, that would be personally repugnant to me, as I'm sure you know.

I have cherished and guarded my credibility and my reputation for truthfulness throughout my public service, and continue to do so. The same is true of my associate, Dr. Herbert Y. Schandler, who served honorably in the U. S. Army for twenty-three years and retired in the grade of Colonel. Therefore, I know you understand that we view this action by the Defense Department as serious and potentially damaging to our most cherished possession: our reputation for veracity and straightforward dealing.

Consequently, I hope that you will seek a full explanation of this matter from the Department of Defense. I do believe that even the mighty DOD ought to admit to their own mistakes. I would be grateful if you could keep me informed of that explanation.

I have, of course, provided each member of the Subcommittee with a copy of this letter.

Respectfully,

  
Joseph E. Karth

JEK:pw

OF  
REAR ADMIRAL GORDON J. SCHULLER, USN  
DIRECTOR, INTER-AMERICAN REGION  
OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
INTERNATIONAL SECURITY AFFAIRS  
BEFORE THE  
SUBCOMMITTEE ON INTER-AMERICAN AFFAIRS  
COMMITTEE ON INTERNATIONAL AFFAIRS  
FEBRUARY 14, 1979

Mr. Chairman, I am pleased to have the opportunity once again to appear before this committee to provide an assessment of the military situation in Latin America and the impact of our security assistance program as viewed by the Department of Defense. Since Assistant Secretary Vaky will focus in some detail on the nature of the economic and security assistance programs which the Administration is proposing for Latin America for FY 1980, I will direct my remarks primarily to the security and defense aspects of our relationship with Latin America recognizing, of course, that national security in its broadest sense involves the whole complex of military, political and economic relations. I would like to focus primarily on the impact of our activities and programs on our military relationships in the hemisphere, provide a brief assessment of the military situation in the hemisphere, and discuss the role that the U.S. should seek to achieve in providing assistance to these countries. In short, I will address the effects of our policies--from a purely military perspective, recognizing that other factors necessarily must be included in the total equation of policy decision.

Page determined to be Unclassified  
Reviewed Chief, Records & Declass Div, WHS  
IAW EO 13526, Section 3.5  
Date: Oct 23, 2018

The strategic importance of Latin America lies in the role it plays in U.S. global strategy. A friendly, cooperative, stable, Latin America protects our Southern flank, assists in making secure our critical lines of communication, provides access to selected strategic resources, and precludes the necessity to commit substantial numbers of scarce U.S. forces to that area during crises on a world-wide scene. A hostile or neutral Latin America would require the United States to direct scarce military resources from other world-wide priorities to assure U.S. security. Given conditions in the past, we were able to view our southern flank as secure in our defense planning, making it unnecessary to dedicate U.S. forces of any magnitude to our defense in this hemisphere. Additionally, given conditions in the past, we did not have to be too concerned about Sea Lines of Communication in the southern hemisphere. Economic, political and military factors are not static, however, and our complacency over the past may no longer sustain us in the future.

Despite our important and growing strategic interests in Latin America, however, our policies and actions (and I include legislative restrictions) in the hemisphere have revealed a number of shortcomings. We have given lip service to the priority of the hemisphere, yet our words are most often unmatched by resources. We are experiencing budget cuts and taking other policy actions which weaken our credibility, e.g., giving priority in FMS and IMET programs to other regions at the expense of Latin America. We have paid a price for this as exhibited by the resultant dissipation in our bilateral relations and influence in the region. We were

hard pressed, for example, to exert more than a nominal attempt to achieve a peaceful settlement of the Beagle Channel dispute between Argentina and Chile. We retain important responsibilities as a peacemaker, yet our strained relations with key countries seriously limit our ability to promote moderation. We are perceived by the Latins as applying our policies in an uneven fashion as compared to other regions of the world and even within the region. In short, from a military viewpoint our actions, actual or perceived, have resulted in a gradual deterioration of our military-to-military relationships which are especially significant and important in achieving U.S. political objectives in Latin America--a region predominantly influenced and governed by the military.

U.S. arms transfers to Latin America have been important more for their impact on political relations than for their actual contribution to U.S. defense. In my view, arms transfers will continue to be an important element of U.S.-Latin American relations. The prevalence of, and likely near mid term continuation of, military dominated governments will assure this. The way in which U.S. arms transfer policies are managed for the region and for individual nations of Latin America will have meaningful impact on our future relations.

Despite the best policy intentions of the U.S. to limit arms transfers around the world our objectives have not been achieved to any great degree in Latin America. Military expenditures, although still the lowest of any region in the world, are on the increase. More costly and more sophisticated weapons systems are being introduced into the area by a number of eager suppliers--modern tanks, supersonic fighter-bomber aircraft and surface-to-air missile systems from the Soviet Union; a variety of surface vessels



from the UK, West Germany and Italy; and supersonic fighters from France. The value of Argentine arms acquisitions in the past two years, for example, represents approximately 75 percent of the total Argentine arms purchases since 1954. Similarly, Brazil and Chile have made sizeable purchases within the past two years. The Peruvians have turned to the Soviets for substantial quantities of armaments.

Our restrictions on arms sales have also stimulated arms production within Latin America itself. Brazil, for example, which exported virtually no locally manufactured military equipment prior to 1974, has since that time delivered more than \$100 million in armor, aircraft and tactical vehicles principally to North Africa and Latin America. Brazil's goal is to become self-sufficient in arms production, thus alleviating dependence on what it considers unreliable foreign suppliers (read U.S.). Other countries are following in Brazil's footsteps. Argentina, likewise, has increased its armament production. We are witnessing the acceleration of arms industries in Latin America and other areas of the world. All of this implies a further erosion of our influence and a diversion of additional commercial opportunity to our European trade competitors.

In the area of conventional arms limitations we wholeheartedly support the recent initiatives on the part of the Latin nations and are prepared to participate fully as an arms supplier on arms transfer restraint. These types of negotiations are difficult and results will not be achieved overnight however. We should encourage the Latin initiative at every opportunity. On the other hand, we should also keep the Latins fully informed of any of our

arms restraint undertakings with the Soviets, particularly as they may impact in Latin America. To do otherwise would be counterproductive in achieving and maintaining our important military-to-military relationships in Latin America.

The Department of Defense is not alone in observing the decline of influence I have outlined in the hemisphere. I note that our ambassadors in a great many of the countries in Latin America are increasingly expressing their concern about the decline in our FMS and IMET programs. They view these programs, as we do, as key instruments in the implementation of U.S. foreign policy. We have noticed an increase in requests to Washington to reverse the downward trend of these programs. In my view, we need to reassess the degree to which we have allowed our defense assets and programs to decline in the region. We need to reconsider the organizational arrangements through which we deal with the Latins on security matters, and reexamine the basic premises of our hemispheric security policies.

Mr. Chairman, we are in a period of accelerating change across the whole complex of our relations with Latin America. At the same time as our influence is decreasing and our military relationships have diminished, we are witnessing an accelerated growth and importance of many Latin American nations. The strategic importance of Latin America has increased and will grow even more in the future. The degree of assurance with which we can count upon the capability and willingness of Latin American forces to join with ours in defense of the hemisphere will depend largely on perceived

mutuality of interests and cooperative bilateral relationships. The Department of Defense has a significant and necessary role to play, in my opinion, in fostering that perception and those relationships. Unless we are prepared to continue a defense equipment supply relationship that is responsive to the genuine requirements of these nations it will be difficult to maintain our defense and other ties with the nations of Latin America.

In summary, Mr. Chairman, I would like to recall some of your expressed concerns during the hearings before this committee last summer. I believe you asked at least one witness whether there had been conducted any cost/benefit analysis of our restrictive policies in Latin America. I think the answer at that time was that there had not been. We must recognize that there are important costs accruing. For example:

- By reducing Latin American access to U.S. equipment, we dilute the longstanding mutual security relationship embodied in the Rio Pact;
- We call into question the reliability of the U.S. as a supplier, particularly if we deny spare parts for U.S. origin equipment previously furnished;
- By denying spare parts, we encourage countries to turn to other suppliers for replacement equipment;
- We penalize the U.S. economy and bolster the economies of other arms producers;
- In the process, the new equipment being provided by other suppliers is inevitably more sophisticated, working in opposition to our efforts at conventional arms restraint;

- The new equipment is also more costly, impacting adversely on the economies of the Latin American recipient countries;

- For some of the major countries, we encourage the development of indigenous arms industries, further reducing opportunities for restraint;

- And, probably most importantly, we sacrifice U.S. influence as a stabilizing factor in an increasingly troubled area of the world.

- During the past year we have seen a continuing crisis in Nicaragua, threatening to spill over into other countries of Central America;

- The territorial Beagle Channel dispute between Argentina and Chile drew dangerously close to the flash point;

- Terrorism, particularly in Central America, has markedly increased;

- And our ability to influence the outcome of these pressing issues has markedly decreased.

- Finally, I would like to comment on the nature of our security assistance programs. Too often, I think, they are characterized as large scale give-aways and I believe this is in error.

- There have been no MAP programs--grant material assistance--in the hemisphere since the end of fiscal year 1977;

- The Administration request for FMS credits for FY 1980 is just over \$30 million, involving only \$3 million in appropriated funds--\$3 million for all of Latin America;

- Contrary to the frequently expressed view, FMS credits are not a give-away; the entire amount is repayable, with interest, and administrative charges. It is a no-cost program.

- The bulk of U.S. sales of munitions list items are either on an FMS cash basis or through strictly commercial channels.

- What is left is the International Military Education and Training Program (IMET)--the only grant program now in force in Latin America. A significant number of important countries are excluded from this program for a variety of reasons. At a minimum, I believe we should significantly strengthen this program in order to sustain the limited remaining influence we have with the nations of the hemisphere... exposing the newer generation of Latin American military to U.S. thought and culture sustaining what remains of the military-to-military relationship... looking forward to the emergence of Latin America among our serious--perhaps vital-- U.S. security concerns. I believe we must carefully assess the important costs which will accrue if we fail to take the longer view.

This concludes my prepared remarks, Mr. Chairman. I will be happy to attempt to answer any questions the committee may have.