

**The original documents are located in Box 27, folder “Second Debate, 10/6/76: Carter Preparations” of the Michael Raoul-Duval Papers at the Gerald R. Ford Presidential Library.**

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I've signed this letter to Leon Parma. Be sure and give the attachments to Mike Duval for the second debate.

RBC

~~MIKE~~



THE WHITE HOUSE

WASHINGTON

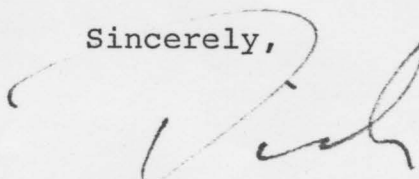
September 27, 1976

Dear Leon:

I appreciated seeing the material which accompanied your September 24 note. Thanks for getting it to me. I'll see that the information is brought to the attention of the appropriate people here.

Best regards,

Sincerely,



Richard B. Cheney  
Assistant to the President

Mr. Leon W. Parma  
Post Office Box 2262  
La Jolla, California 92037



LEON W. PARMA  
POST OFFICE BOX 2262  
LA JOLLA, CALIFORNIA

September 24, 1976

Richard B. Cheney  
Assistant to the President  
The White House  
Washington, D. C. 20500

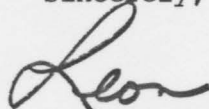
Dear Dick:

Enclosed is the material that resulted from a group of  
Defense people who were asked to meet with Carter's people  
in Atlanta.

Mel Laird has further background on this if you need it.

I thought this information, particularly the topic per Stuart  
Eizenstat would be particularly useful for the October 6th  
event.

Sincerely,



Leon W. Parma



enclosure  
/ceb

*Give to Duval*

Mr. Leon W. Parma  
Lyon Electric Company  
P.O. Box 81303  
San Diego, California 92138

RECEIVED  
SEP 23 1976

Dear Leon:

Attached for your information and use as you see fit are  
copies of:

1. The issues presented to us while in Atlanta.  
These are in abbreviated form which I can explain if you  
need the information, and

2. A synthesis of the position papers presented  
to Carter's staff by the EIA as a result of the Atlanta  
meeting.

Again, if you have any questions on any of this material,  
give me a call.

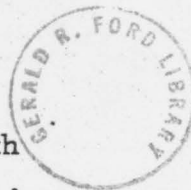




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9. Perennial problem of industry profitability--what's reasonable?

EIZENSTAT / NATIONAL SECURITY INDUSTRY MEETING ON 8/27/76

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Answer: Dick Holbrooke.
2. Question: What influence and/or role will Rickover play with regard to Carter's policy and/or thinking. Answer: Contact with Rickover (to Eizenstat's knowledge) has been very limited, i. e., only saw two pieces of correspondence from Rickover in past year. No known plan to rely on Rickover in any special way.
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21. Eizenstat: Mail all inputs to him at:

P. O. Box 1976  
Atlanta, Ga. 30301

If need to call, Eizenstat's phone numbers are:

(R) 404-351-8494  
(O) 404-897-5110



ISSUE POSITION PAPER #4

ISSUE: Is there any way in which Defense Procurement can be coordinated with Foreign Policy objectives?

POSITION:

*This, of course, is a policy question over which Industry has very little control. However, it is apparent that normal procurement policies for the vast majority of defense acquisitions lend themselves in an unfortunate way to one aspect of this issue. In our open society, the decision to begin even exploratory development of defense systems significant enough to have foreign policy implications becomes a matter of public knowledge. The vagaries that beset high technology development then become the subject of various political and media excursions that invariably impact adversely on our security stature, our national resolve, our foreign policy objectives or combinations of all of these. This, of course, is a negative aspect of the issue and can probably only be ameliorated by extensive educational efforts to restore a feeling of pride in and recognition of the integrity of our defense establishment.*

*What may be a rather remotely related aspect of this issue is the proposal that has been made in some circles that defense systems be developed to the production stage and then "held on the shelf" until foreign policy situations indicate an overwhelming need for the system in the operational inventory. This premise is faulty because of the time factors involved. For most modern defense systems, the long production lead time and the absence of an adequate industrial mobilization base in most industry segments precludes "emergency" introduction of a new weapons system. It appears that future application of the military factor to the foreign policy equation will only be believable if the "forces in being" are adequate to the task. It is recommended that for the security of the country, procurement to meet proven defense requirements be kept out of the foreign policy and political arenas.*

ISSUE POSITION PAPER #5

ISSUE: Manpower Issues -

POSITION:

*We believe that the manpower area of Defense spending is the most fruitful area to look for any major savings that may be made in the near to mid-term. Innovative applications of existing high technology systems to present manpower intensive military tasks, is certainly one area that could produce significant payoffs in the mid-term period. Another area with more immediate return is the channeling of more maintenance and support functions into the private sector. Several studies have shown that significant dollar savings can be achieved if less Government work is done in-house and more is placed with the private sector. The Defense Manpower Commission included, in its April, 1976, Report to Congress, the use of contractors in support of DOD. Two of their findings were:*

- (1) That contractor personnel should be considered as a component in future plans regarding DOD's total force, and,*
- (2) That contracting out certain functions is more economical to the Government than using military or Civil Service personnel.*

*Personnel policies and procedures developed and proven in the management of high technology companies could be adapted to the more complex Defense personnel needs in both the military and Civil Service sectors, but it is recognized that existing laws and policies preclude any short-term breakthrough in this area.*



ISSUE POSITION PAPER #6

**ISSUE:** What kind of reorganization of DOD can best serve the national interest: Are there too many Flag and General officers and high level civilians? What reorganization can help the Industry interface?

**POSITION:**

*There have been and continues to be many recommendations for reorganization of the DOD. It is perhaps true that DOD and its components exist in a state of perpetual reorganization. It is certainly demonstrable that DOD is the most often reorganized Government entity. In spite of this rather continuous state of transition, DOD remains the branch of Government that demonstrates the most thorough planning effort, the most effective developmental organization, the most well defined procurement policies, and the best Industry interface. This is not to imply that we feel there is not a great need for improvement in defense policies and their application. Such Industry issues as profitability, in-house vs. private sector contracting, restrictive and oppressive auditing requirements, application of inflation factors to contracts, and a myriad of others, have been discussed at all levels of the Executive and Legislative branches of the Government. Problems continue to exist and probably will through the foreseeable future. What would help the DOD/Industry interface the most is not another attempt at DOD reorganization, but the development and institution of procedures whereby the management expertise that is a keystone of U.S. industrial preeminence in the world, is afforded a more receptive environment when offered for application to Government problems.*

*It is unfortunate that the American industrialist is continually placed in an adversary role in his relations with the Government. He certainly has something important to offer otherwise we would not be the greatest industrial nation in history. He should be afforded a more equal partnership in assisting*

with the operation of the country of which he is so vital an element.

The Industry does not feel qualified to comment in detail on the Flag and General officer levels in DOD. It would appear though that an escalation in grade levels, both military and civil service, has become a part of a perhaps unplanned and unarticulated device to provide the DOD with top level managers of a stature and a status equal to their business and foreign counterparts.



ISSUE POSITION PAPER #7

**ISSUE:** It has been said that standardization can save NATO up to \$17 billion. What are the domestic problems with standardization? What are the international problems? How can we achieve the optimum degree of standardization? What are the issues associated with domestic vs. foreign procurement?

**POSITION:**

*NATO standardization is a concept that is often discussed in simplistic terms in the search for an easy solution to the complex problems of interoperability and logistic support. Political and economic considerations quickly dominate the proposition that a solution to a common military problem should be easy to achieve. NATO is an alliance of sovereign states with disparate resources, economic strengths, and national interests. Decisions are only made by unanimous consent. While it might be assumed that the economics of the Defense effort would promote cooperative ventures to share costs of development and benefit from the economics of large scale production such is not the general case. Some of the factors that work against true standardization are:*

- . Fear of creating a national technological gap.*
- . Complexities of protecting patents and proprietary information.*
- . Limits on the sale of information or equipment to third parties.*
- . Reluctance of national industries to loose business by sharing.*
- . Balance of payment problems.*
- . The size and state of obsolescence of existing national inventories.*
- . The interface of military system, particulary communications systems with national civil systems.*
- . National pride and other philosophical considerations.*

*Efforts to overcome these problems have not only been addressed by the Government representatives concerned with NATO affairs, but by a group*



of industrialists who form the NATO Industrial Advisory Group (NIAG). The NIAG's objective is to provide a forum for the exchange of views on NATO industrial problems including those associated with R&D, production, and logistic support. Some progress is being made and better understanding of each nation's industrial problems is a positive result of NIAG.

The domestic problems are in general similar and a part of the international problems listed above. In addition to these problems, U.S. industry faces an additional set of problems concerned with competitive pricing in foreign markets and the restrictions of the ASPRS. It is also apparent that as the leading nation of the alliance in technological development and innovation, that our industries would be especially concerned with the dissemination of proprietary information and production know-how. (See attached copy of Defense Science Board report on this subject).

Optimum standardization is a very long range objective. Of more immediate concern is the development of an interoperability capability in our weapons systems. This is of particular importance in the area of communications where the rapidity and volume of information exchange requires automated transfer between adjacent or intermingled forces of the various nations. This requirement is presently receiving considerable attention in both Government and Industry in this country.

ISSUE POSITION PAPER #8

ISSUE: What is the impact of arms sales abroad? Is the present level of sales healthy? Do arms sales accomplish our foreign policy objectives?

POSITION:

Arms sales abroad are vital elements of both our political and economic interests. For many years the United States accepted with pride the appellation "Arsenal of Democracy." In a world far less perfect than American ethical standards would like to see as the norm, pragmatic interests as well as good old fashioned patriotism require that we continue to be the source of support to which friendly and unaligned countries can turn to satisfy what they perceive as their security needs. Until such time as a "mutual search for peace" by the superpowers can be shown to be more truly mutual and much less unilateral, we must continue to support the security interests of those who do not stand against us, with the products that these countries perceive as markedly superior for the satisfaction of their needs. In seeking friendship with the unaligned and developing nations of the world, those who because of their weakness and vulnerability need allies who can contribute to their peace, security and prosperity, we can best control our degree of commitment and can best insure the honoring of our commitments by being a supplier and a friend rather than an involved protector.

The present level of American arms "sales" abroad is subject to a wide range of estimates depending on what phase of the acquisition process is addressed. The past few years have seen some significant procurement decisions made by a number of countries that indicate high value systems buys. Actual deliveries, spread out over a number of years, give a much lower annual figure for payments. While projections by various Government agencies have indicated "sales" in excess of \$10 billion over the past few years, actual processing

and delivery figures fall well below this level. It is unfortunate that various political and media interests use this issue as well as other defense issues to continue to undermine the patriotism in support of a strong defense and alliance posture for their own questionable objectives.

Arms sales do accomplish many of our foreign policy objectives. The U.S. "presence" which accompanies such equipment sales, in the form of U.S. support and training personnel, and U.S. documentation is an intangible, but positive, influence on strengthened ties with the United States. Arms sales are healthy both from the economic standpoint and from the foreign policy standpoint, providing in the latter instance a minimum degree of U.S. commitment for a maximum degree of commitment on the part of the recipient.

Arms sales should also be recognized for their positive contribution to domestic U.S. interests including jobs for U.S. workers (70,000 jobs for each billion dollars of exports); balance of payments and reduced costs to U.S. Government because of larger sales volume.



ISSUE POSITION PAPER #9

**ISSUE:** Are Reserve Forces useful? Are they cost effective?

**POSITION:**

As with the broader manpower issues, the Electronic Industries Association and its member companies do not feel qualified to comment on the details of Reserve Force structure or organization. It is generally recognized, however, that if large numbers of manpower intensive forces are required as a back-up to a restructured high technology military establishment in the future, then such forces can best be maintained in the Reserves. However, such a Reserve should be provided with the necessary modern equipment to permit rapid and effective mobilization and should be supported by a well planned and utilized industrial mobilization base.



ISSUE POSITION PAPER #10

**ISSUE:** What are the problems Industry faces in dealing with the Government? What can be done to cut the red tape? What can be done to improve Government/Industry relations?

**POSITION:**

*Some of the problems Industry faces in dealing with Government are:*

- . Lack of mutual trust.*
- . Little understanding of the functions of a free market.*
- . Over bureaucratization of the Executive departments.*
- . Over regulation.*
- . Very little appreciation of the needs for application of capital to keep Industry viable.*
- . Absence of firm plans or programs.*
- . Multiple layers of approval authority.*
- . Unrealistic business requirements (audits, records, etc.).*
- . Lack of competitive profit levels.*
- . Competition with Industry in providing goods and services (pamphlet enclosed).*

TO CUT THE RED TAPE:

- . Place a moratorium on rhetoric designed to display American business as the bad guys.*
- . Accept legitimate business proposals as being honest and in the best interest of the country. (Crack down on those who are not honest)*
- . Put a premium on the reduction of bureaucratic organizations and processes.*
- . Rely on experienced business people as advisors in areas in which they have knowledge.*
- . Do not rely so much on "academics" in areas where their knowledge is only theoretical.*

To improve Government/Industry relations, get the Industry side of the equation more involved in providing solutions to relationship problems and less in defending its actions. American Industry is still run by the same strong dedicated patriots that built this country.

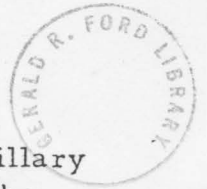


Stuart Eizenstat Phone: (R) (404) 351-8494 Address: P.O. Box 1976 (NS)  
(O) (404) 897-5110 Atlanta, Ga. 30301

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QUESTIONS AND COMMENTS PUT FORTH AT STUART  
EIZENSTAT/NATIONAL SECURITY INDUSTRY MEETING  
ON AUGUST 27, 1976

II-A



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