

The Economic Club of New York

330<sup>th</sup> Meeting  
83<sup>rd</sup> Year

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The Honorable Richard B. Cheney  
United States Secretary of Defense

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June 5, 1990

New York Hilton  
New York City

Questioners: David Hartman, President  
Rodman-Downs, Inc.

Marshall Loeb, Managing Editor  
*Fortune* Magazine

## Introduction

Chairman Rand V. Araskog

...330<sup>th</sup> meeting of the 83<sup>rd</sup> year of the Economic Club of New York. It's traditional, I have to say this at every meeting, and only one of the numbers has been changing for a while. Tonight we're very pleased and honored at a particularly crucial time after the Summit Meetings in Washington to have with us the Secretary of Defense. He was born in Lincoln, Nebraska. He grew up in Casper, Wyoming.

He served in very high positions in the Nixon White House and in the Ford White House and finally was the Chief of Staff in the White House for the Honorable Gerald Ford. After that service, he ran for Congress and was elected on six successive occasions. And finally, in his sixth term in Congress was appointed the Republican Whip, the second ranking position in the Republican Party, at a very young age. Not too long thereafter, circumstances developed that caused President Bush to nominate him to be Secretary of Defense and he was very quickly approved. Certainly he did not know what was to come and certainly I hope tonight we'll be able to find out a little bit about what may come from this point on. It's a great pleasure to introduce the Honorable Richard B. Cheney. (Applause)

The Honorable Richard B. Cheney

United States Secretary of Defense

Thank you very much, Rand, for the kind introduction. It is a pleasure to be here tonight. I am always reminded – when I'm introduced like that – of a story that happened to me when I was in politics running for office. Of course, now that I'm Secretary of Defense, I'm not involved in politics anymore. (Laughter)

But I like to tell the story about running for Congress my last time out. You know after you've run as often I did, every two years at home, you've done the rallies and the barbecues and the coffees and your picture's been on television, your name's been in the newspaper, you assume everybody knows who you are.

And we always had a tradition in Wyoming; we started the campaign every year down in the little farming community of Torrington, down in the far east of the state along the Nebraska border. And the farm groups would host a barbecue for all the candidates to get up and speak – Republican and Democrat alike – talk to the voters.

And the last time around before it was my turn to get up and speak and tell them what I would do for them if I were reelected, I was out working the crowd, wanted to make certain I personally greeted every voter there. I walked up to one old rancher with his back up against tree, a cowboy

hat down over his eyes, reached out and grabbed him by the hand and said, hi, I'm Dick Cheney, I'm running for Congress and I'd like your vote. He said, you've got it, that fool we got in there now is no damn good. (Laughter) So you always want to get the introduction right. It's very, very important.

It's a special pleasure to be here tonight as well because your president, Ray Price, and I have had the opportunity to work over the years, and I was delighted to receive his invitation to come address the Club. I remember Ray well from those days in the Nixon administration when he was the president's chief speech writer. Some of us now think of him as the Peggy Noonan of the Nixon administration. (Laughter) But it is pleasant to have the opportunity to accept his invitation.

There are obviously a lot of things we could talk about tonight. Of course, we've just completed the recent Summit with the Soviets. And when I go back to Washington in the morning, my first task is to meet with the summiteers involved in the other summit, the Budget Summit in Washington, to talk about the defense budget. I assume we'll get into some of those issues tonight in the Q&A but what I'd like to do, if I can, is take a few minutes of my remarks and look at what I think is a broader issue, one that concerns me a great deal, and that's the question, the role, if you will, of American power in the future in what is obviously a very complex and changing world.

I think everyone can agree that we are now truly at a pivotal point in American defense policy, that upheavals in the traditional post-War security structure have generated an intense debate – not only in Washington but around the world – on the fundamental questions about what our role should be in the world. In many ways, as we look at the ending of the Cold War, we're facing exactly the same kinds of questions that policymakers faced at its beginning some 40 years ago. Then, as now, the shape of Europe, especially Eastern Europe, was in doubt. Then, as now, America's role in Europe was hardly clear. And then, as now, the intentions and future of the Soviet Union were a matter of concern and uncertainty.

But there is at least one major difference. In the early days of the Cold War, in the late 1940s, our leaders had determined that America should turn away from its traditional isolationism and become the leader of the Free World. This was indeed a revolutionary path for us at the time. It required a significant change in the way that we thought about ourselves, and especially about how we thought about our military power capabilities.

Today, some suggest that the revolutionary path in the 1990s points in the opposite direction from what it did in the late 1940s. To them, revolutionary change today means a turn toward isolationism – the rejection of our global leadership role, a withdrawal if you will, from the commitments that global involvement adopted at the time of Truman, Marshall, and Acheson.

I think kind of thinking is exactly what lies behind the proposals that we've seen for a 50% cut in

our defense budget over the next ten years or so. When we cut aircraft carriers, for example, from our current level of 14 to a mere 6, as one of the most prominent of these proposals has envisioned, you are simply not just adjusting the budget. You are talking about an America with little or no presence in the Pacific and virtually no ability to project power, control the sea lanes, and protect commerce. The fact is you are talking about the defense posture of a regional power, the budget of an America in decline.

Of course, what drives the notion that we can easily get by with a fundamentally different kind of military structure is the idea that because the Cold War is over, or nearly over, America's role as protector of the Free World is over. According to this argument, the world has less need for our military presence and so we are now a declining superpower. As you know, there are many variations on this theme that America's power is evaporating. We're told that we're suffering from imperial overstretch like the British in the early part of this century, that we've lost our economic power relative to the rest of the world, especially Asia and Europe, and that our domestic problems require us to turn inwards.

I'm not suggesting that any one individual would stand behind all of these agreements or that they capture the nuance of this kind of thinking. But it's clear that a general worry exists about our future role in the world, and there are many voices – among them my good friend, Jeane Kirkpatrick – who will tell us that America had better get used to being just another power, not a superpower.

I hope that I'm not going to surprise anyone tonight when I tell you that I think the notion of America's inevitable decline is both wrong and dangerous. There is no question that we could choose to recede to second-class status. Foolish policy is all around us, ready to be picked up and implemented. No question our role in the world will change as the world changes. But there is no irresistible force of decline acting outside and independent of our own choices. We can remain an influence in the world with a robust economy and global military reach or we can withdraw into a self-centered shell, power gone, spirit drained, will zapped. In fact, this argument is based on a wrong reading of what's happening today. Far from being a nation in decline, the United States today is the only nation with a mix of military, economic, and political power to be truly regarded as a superpower. The only superpower in decline today is the Soviet Union.

As with the beginning of the Cold War, we are on the verge of a new era in American defense policy. The question is really whether we'll be capable of seizing the opportunities before us. I know that I cannot get away with this audience with simply asserting that the United States is not in decline. So let's take a look at some of the facts.

The first flaw in the argument arises in assuming that with a receding Soviet threat, military power becomes superfluous. What must be stressed here is that no matter what happens in Soviet domestic policy, the Kremlin will still retain an enormous, robust, and modern conventional and nuclear military force. Moscow's internal reforms have been dramatic. The collapse of

Communist power in Eastern Europe will allow us to make major readjustments in our forces in Europe. But prudence demands that we keep a clear eye on capabilities as well as intentions, and Soviet capabilities continue to convince me that we must maintain a robust deterrent force.

Can we do this at a much lower cost? I think so. But we cannot eviscerate our forces and expect to maintain deterrents and to be taken seriously in a world that still respects our ability to deploy the most highly trained and skilled military force in history. And even if you grant the most optimistic scenario about the Soviet Union, America must still retain potent military forces. In a world changing as rapidly as this one, who else but the United States can foster the global stability and confidence that is necessary for free nations and free economies to prosper. Who else would you want to move into a vacuum created by the withdrawal of American power?

By creating a rock-solid security system in the West and in Asia, we've made economic growth possible and encouraged private enterprise. The peace we enjoy and the freedom we fought for have given individuals the confidence to make commitments of time, money, and energy, to advance science and technology, as well as the arts and education.

Business will invest, expand, and take risks if they believe their future is secure. Signs of that confidence are everywhere. Since World War II, total world trade volume has increased ten times over. The benefits of such confidence are the direct result of our continued willingness to be involved around the world to support our allies and to deploy significant military power. That truth is not lost on our allies. If I've gotten one message from my trips abroad as Secretary of



Defense, it's that our friends do not want to see an American military withdrawal no matter what the fate of President Gorbachev.

The next part of the argument of America in decline says that over the last 40 years we've taken on a crushing defense burden that has drained our economy. The fallacy here is quite clear. As a percentage of GNP, defense spending is down from some 8% in the 60s to 5% today. Indeed, defense represents just 24% of the federal budget today. When my friend, Bob McNamara, was Secretary of Defense – the same Bob McNamara who frequently denounces us for spending too much on the military – defense took up 40% of the federal budget instead of today's 24%. And if we follow President Bush's long-term plan, defense spending by 1995 will be at the lowest level since before Pearl Harbor, both as a percentage of gross national product and as a percentage of the federal budget. This is not an overwhelming burden. It is one that we can clearly afford.

As businessmen and economists, you are all certainly familiar with the argument about America's economic decline. You felt growing international competition and experienced a dramatic change in the way we do business. But does competition itself spell an America in decline? I don't think so.

As far as our global economic condition is concerned, there's no question we've declined relatively to Europe and Japan. But as columnist, Charles Krauthammer, pointed out recently, the amount of that relative decline is generally measured from the very abnormal period just after

World War II when Europe and Japan had collapsed and we were in the midst of a post-War economic boon. After recovery, the world market got back to normal and we've held a steady share of the global market since 1960. The real story is not one of decline. Our friends are doing well now and so are we.

And are we really a declining economic force in the world? Consider the following. Our federal budget, just our budget is about the size of the entire West German economy. A lot of people think our economy is smaller than Japan's when of course we all know it's almost double theirs. Many people think we are no longer much of a player in international economics. In fact, of course, we remain the biggest market for foreign goods and we're the biggest investor overseas. In Europe alone, last year American business spent \$15 billion buying companies. If this is decline, show me success.

The final commonly mentioned argument for America's supposedly evaporating role in the world has to do with the need for us to turn our attention away from international to domestic concerns. There's no question we have domestic problems. The question is, are they going to force us to abandon our commitments to the world and to drive us to leave the international stage? I don't think so. We must remember that our international presence helps create the conditions that underlie our domestic success. And let us also remember that even our domestic problems grow out of our ambition and our success. Our educational system, for example, has come under considerable criticism in recent years. This criticism points to real problems, but

let's bear in mind that the problems grow out of America's unique commitment to provide a good public education to everyone in this diverse land of ours.

The scope of our ambition is one of the key reasons why people around the globe still look to America as the place to go when they can't go home again. Last year alone over 600,000 people immigrated legally to the United States. More came in the 1980s than in any other decade since World War I. These people certainly have not lost confidence in America. They bring with them the talent and creativity. They remind us of what it means to be an American. They also remind us of what being an American does not mean. It does not mean turning your back on the rest of the world.

So I think it's clear that the idea of an eclipse of American power is without merit. But the real issue we need to face in this critical period does not concern economic or even military power. It has to do with America's purpose. My sincere belief is that far from becoming less of a force in the world, America is going to be taking on greater global responsibilities in the years ahead. If the Soviet Union moves toward true democratic reform and concentrates on internal economic revival, we will certainly face a dramatically different security environment. It's one I look forward to. But it's going to be one in which our influence and engagement paradoxically will be of even greater importance than ever before.

First, we'll be called upon to lead a growing constellation of democratic states – some new, some

very unstable, some prosperous, and some with desperate economic difficulties. There are likely to be reversals and continued struggle especially where ancient national and ethnic rivalries are more powerful than immature democracies. Because we are as successful as we are, the new democracies in Asia, Central America, South America, and Eastern Europe will look largely to the United States. And it's not only for economic aid, they also are looking to us for a comprehensive understanding of the workings of market economies – from central banking to how to encourage the entrepreneur. They've come to us to understand the democratic process and how to write a Constitution that can last.

From the first days of the Cold War, our purpose has been more than just containment. Containment told us what we were against, not what we were for. Our positive purpose has been to preserve and to foster an environment in which free societies may exist and flourish. With containment a success, we are now relieved of a major responsibility and can concentrate more of our energies on the positive side of America's global purpose. Up until now, our role has been both that of protector and leader. This is changing. Tomorrow we will be looked to more for leadership and less for mere protection.

Recently, the editor of *Foreign Policy*, Charles Maynes, wrote about America without the Cold War. In the article he said something that struck me as very strange. He said that there had always been two opposing forces during the Cold War – those hoping for a stronger America and those hoping for a better world. That's right. He thinks of these ideas as if they were in

opposition. I find that very odd. The fact is that the hopes here are pretty much identical. A strong America is the best insurance for a better world. It's the only way if we are serious about leading the new democracies. How, I wonder, is a weak America supposed to help anyone, even itself?

The idea of a security threat was not invented by the Communist Party of the Soviet Union, and it will remain long after that party is over. As a result, the world will still be a dangerous place, a place that will continue to benefit from – indeed require – the stabilizing influence of the American military. We had better be ready for that kind of world. We will certainly be called upon to help our friends and allies and to protect our own economic and political interests worldwide. If we do not create the forces to meet that future threat, that does not mean the threats will not be there. It only means we will be poorly prepared to meet them. And what that means is we would either shrink from protecting our own interests, or we would send out American troops ill-prepared and ill-equipped to do the job. The first option is unwise, the second morally repugnant.

In the end, the world itself is telling us of the importance of America. How can anyone have lived through 1989 and believed that the United States is in decline? The year began with Soviet citizens sacking Communist candidates in elections for their legislature and ended with chunks of the Berlin Wall being sold in American department stores. By December, every East European government with the exception of Albania had been purged or tossed out by their citizens. Just

about a year ago, Chinese students erected a makeshift statue in Tiananmen Square as a symbol of their democracy movement. Was it a statue of Karl Marx or Lenin or Mao? Of course, not. It was a Statue of Liberty. Our ideas are shaping the politics of a changing world. We often talk about how events in Eastern Europe have changed the political landscape of these nations and how democratic ideas have made their way into the deepest reaches of the Communist world, but we seldom consider how these events have changed us.

In a recent interview in *Fortune* magazine, a prominent West German banker explained the landslide effects the freedom movement in the East was having in democratic nations. He said and I quote, “We considered freedom as a given, as something you did not have to work for. That’s obviously different now. It’s something we spoke about in Sunday speeches but we didn’t believe,” he said. “And when Americans spoke about freedom, we ridiculed them.” I think this German banker speaks for a lot of us. Who among us was not moved to think about the unique quality of our own freedom when we saw the Stars and Stripes waved by shipyard workers in Poland? Didn’t we take our own Declaration of Independence more seriously when we heard it quoted to us by a Czechoslovakian president who had just five months earlier been in jail as a political prisoner?

There is no question that our defense policy, our defense budget, where and how we deploy our forces, all of this will change and in some cases quite dramatically. But we must recognize that we cannot simply slash away as if there are no consequences. If we are to fulfill the global

responsibilities that are now being thrust upon us, we cannot cut the heart out of our military and expect the world to take us seriously. We now have a unique opportunity to lead a freer and a more prosperous world. I think it's clear how we can do that. It's also clear how we can fail.

Thank you very much. (Applause)

#### QUESTION AND ANSWER PERIOD

CHAIRMAN RAND V. ARASKOG: Thank you very much Mr. Secretary. We very much appreciate the balance of those remarks. Tonight we have two distinguished questioners and we'll follow the usual pattern of going from one to the other. On my left is David Hartman, the President of Rodman-Downs. And on my right, Marshall Loeb, the Managing Editor of *Fortune*. And we will begin with Marshall Loeb.

MARSHALL LOEB: Thank you. Secretary Cheney, in your discussion of American power in the future, I wonder if you could be a bit more specific on the role and mission of America's military forces now that President Bush has essentially declared that the Cold War is over. And in discussing that mission, you've been reported as saying that we no longer need to prepare for an invasion of Europe by the Warsaw Pact nations. If that's the case, exactly what sort of war should we be capable of fighting, say five years from now? For example, should we be prepared for a prolonged engagement with North Korea or in the Middle East, or just short-term interventions?

THE HONORABLE RICHARD B. CHENEY: Well, I think it's clear that the thing that has changed in terms of the strategic environment within which we have to operate are the circumstances on the ground in Europe. And of course, the scenario, the possibility of a Soviet-led Warsaw Pact attack into Germany, a march on the Rhine if you will, has been one of the threat scenarios that's driven an awful lot of our defense planning now for nearly 40 years. Colin Powell, the Chairman of the Joint Chiefs, likes to talk about having been assigned as a brand new lieutenant in 1958 as a platoon leader to command a platoon on the Fulda Gap, right on the German border. And then going back some 25 or 26 years later, as a core commander in charge of 70,000 American troops, and being charged again with the responsibility of defending the Fulda Gap. That scenario drove our force structure, our procurement strategy, for a good many years. Now I don't think anybody realistically thinks that the Poles or the Hungarians or the Czechs now with democratically-elected governments would willingly join in with their forces with the Soviets in an assault on Western Europe. It's no longer a threat that has any credibility. So the changes that we need to make with respect to our own strategy that are reflected upon those military developments focus first and foremost, in responding to the safer environment in Europe, if you will. There are several factors that we think need to be taken into effect. The '91 budget we've submitted, for example, calls for the beginning of reducing the size of the United States Army. We take out 2 out of 18 active divisions now. The longer range plans we're developing will take down several more divisions. It calls for terminating the production of the M1 Abrams tank which was designed and built specifically for that heavy land war in Europe. It



calls for stopping the production of the Apache helicopter, again a system designed for that specific conflict. So there are a number of changes that are already built into it and there will be more as soon as we have a conventional force reduction agreement signed with respect to our NATO allies and the Soviets. But that agreement is not yet in hand. We do not yet have the package. Before we can take down force structure in Europe, we think it's important that we complete those ongoing arms control negotiations. In terms of what our long-term requirements will be, as I look around the world I think there still will be a requirement for us to be involved in Europe – on the ground in Europe, with military forces in Europe. I think they can be at significantly lower levels than at present. But even if you assume the most positive possible scenario, that the Soviets withdraw all of their forces from Eastern Europe, keep their commitments to get out of Hungary and Czechoslovakia by the middle of next year, we ultimately negotiate a settlement in Germany that involves Soviet withdrawal from there as well, assume all the Soviet forces are back inside the boundaries of the Soviet Union behind the Polish border, the Soviets will continue to be the dominant military force in Europe. And they will continue to have the capacity, given their strategic nuclear capability and their substantial conventional forces, to influence events in that part of the world. Our allies give every evidence, as do the Eastern Europeans, of wanting the United States to stay, to continue to be involved in Europe as a counterweight to that Soviet capability. And NATO is the mechanism by which we ought to do that. It obviously will be at lower levels of forces than at present. But I think you're still going to have that requirement. We will have a requirement to go to Europe in wartime to reinforce if need be, but we will not be looking at the kind of scenario that could lead to conflict

within 10 to 14 days. We'll be talking about warning times that will extend months and perhaps even years and will allow us, for example, to restructure our forces, to place heavier emphasis on reserves, a greater emphasis upon moving forces to Europe by ship, less emphasis on air reinforcement. So the European scenario will still be there, but it will not be the central driving force that it's been in the past. We'll still have an interest, I think, in other parts of the world. We'll need to retain what I describe as a heavy force, that is probably a few divisions capable of successful combat against any of the major armored forces in the world. If you look at the Middle East and Southwest Asia, you cannot deal with a military contingency in that part of the world with the kind of light forces we used in Panama. You're going to need the capability to move substantial forces there from time to time. You will require significant contingent forces here at home. We'll probably have fewer foreign bases but you're going to want to reserve the capability to do what we did in Panama. You're going to want to retain significant naval forces, and we're looking at a Navy that's probably closer to 450 ships than the 600 ships that we'd originally planned on. You're going to want to retain your strategic nuclear deterrent capability. That threat is not going to go away. The Soviets, while they appear to be prepared to enter into an agreement limiting strategic arms, they clearly are not going to give up the only thing that makes them a superpower. So we are beginning to see, I think, the broad outlines of the kind of force we'll need ten years from now. I think part of our obligation is to see to it that as we draw down the force, as we take advantage of the positive developments that we've seen in the world, as we restructure and reduce the defense budget, that it's important that we retain the capability to reconstitute the force if necessary. And that that requirement ought to drive the choices we

make about what we give up now and what we preserve and protect, and those are the kinds of decisions that we're wrestling right now with Congress.

DAVID HARTMAN: Mr. Secretary, may I follow up? To some people, what you just said...I'm sorry I didn't hear that...

THE HONORABLE RICHARD B. CHENEY: I said good morning. (Laughter)

DAVID HARTMAN: Right. To some people what you just said might seem like a contradiction. On one hand, the Cold War is over or is winding down. On the other hand, the Soviets will retain their strategic forces, their ground forces, they'll be the most powerful nation in Europe, and so we have to maintain for an extended period of time our strategic forces, our capability to fly troops over, etc. Given that nobody believes they're going to present a credible force, either on the ground, or we hope not a strategic war either, how can we answer Senator Nunn's charge that we have a threat blank, that we really don't need to spend 50% of our budget to fight the Soviets?

THE HONORABLE RICHARD B. CHENEY: Well, I would argue, David, that we're not going to be spending 50% of our budget just to fight the Soviets.

DAVID HARTMAN: Or to deter against them.

THE HONORABLE RICHARD B. CHENEY: Or to deter the Soviets. But if we're going to argue that we can change our strategy, change our force structure, and change our budget based upon what's happened in the world in the last year or two, then we ought to look at what's happened in the world in the last year or two. Where's the threat difference? And the debate in Congress and with Congress and in Washington isn't so much over the issue of whether or not the defense budget ought to go down – it's clearly going to go down – everybody understands that – the debate is over how fast it should go down. The debate is over how far it should go. And the debate is over what we ought to keep versus what we should give up. Now the thing that has not changed in terms of Soviet military approaches is their strategic nuclear capability. The decision to allow self-determination for the Eastern Europeans, not to use force in Europe, the demise of the Warsaw Pact, the fact that the Soviets have indeed reduced some of their defense production in the conventional area, that they for the first time in '89 cut back on their defense spending in the conventional areas, all of those things are true. But that hasn't changed the composition, if you will, of their strategic forces. If you look at Soviet production of strategic forces, last year we built 12 intercontinental ballistic missiles, they built 140. Last year we deployed two new ballistic missile, sorry one new ballistic missile submarine, they deployed two. The changes that we see in Soviet strategic forces basically are along the lines of improving and modernizing those forces. They're deploying two new versions of mobile land-based systems. We are not deploying any. We'd like to, but so far we don't have authorization for that. So as I look at the Soviet Union, I see a nation that has historically over the years, even though

their economy has been an absolute basket case, even though they've been spending perhaps as much as 25% of their GNP on defense, I see a Soviet Union that always was able, in spite of the misery of their population, to devote substantial resources to being one of the world's two great military powers. And while they are expected to reallocate resources away from the military to help on the civilian side, I do not see that anything has happened to date that would justify a decision by us to significantly take down our strategic forces. The evidence is simply not there. Now in terms of the rest of the world, I think if you believe that the only reason we need military capability is because of the Soviet threat or the only reason we deployed military capability in years past is because of the Cold War, the Cold War ends, you don't need any military capability anymore. I would argue, and tried to argue tonight that that's not the case. That in fact there are many places in the world where U.S. military presence benefits freedom and democracy and market economies, where U.S. interests are from time to time threatened, and where we need to have the capacity to respond. We have, I think, been guilty, those of us in the defense business, over the years have been guilty of using the Soviet crutch as the only rationale for why we needed military force. It was so easy to point to the Soviets and say, well, look to their capabilities, look at the size of their armed forces, look at the way they've used that power in Hungary in '56 and Czechoslovakia in '68 and Afghanistan in '79. Obviously that's the rationale for us to deploy a significant military force. Well, that was a simple argument. It was an effective argument at the time, but I think we have to recognize that there are other areas and other reasons why we'll need to continue to deploy substantial military capability, less than in the past.

DAVID HARTMAN: That raises another question. The United States spends more than all other 15 NATO members combined on NATO. Since World War II, for some 40 years, we have spent the lion's share of the money on defending freedom around the world, the entire globe. Given that Asia and Europe have rip-roaring economies, why should we not expect them to pick up a much bigger share of the tab for defending freedom around the world?

THE HONORABLE RICHARD B. CHENEY: We do, and they are. The fact is if you go look, for example, at the Japanese today, they have steadily and significantly increased their contribution to the cost of stationing U.S. forces in Japan. When I was there in February, just a couple of months ago, meeting with all the Japanese political leaders and the new government, they all generally are supportive of the proposition that they can and ought to do more. Korea, same basic proposition. They also, we are gradually reducing our presence in the Pacific. We're going to cut about 10% of our force levels there over the next three years. Both Korea and Japan are picking up more of the burden than they have in the past. I think as we draw down in Europe, we also ought to expect that we ought to be able to improve upon the specialization of our roles and missions, that we ought to continue to do those things we do well. We continue to contribute a strategic umbrella, control of the sea lanes, intelligence capabilities, etc., reduce the extent to which we contribute significantly on the ground and we expect the Europeans to pick up that slack. So I think we ought to be able to readjust the balance to some extent as we make those adjustments in Europe. I think that's a key point that we have to keep in mind as we do in fact reshape our forces.

MARSHALL LOEB: Secretary Cheney, let me follow up on David's questions a moment.

Bearing in mind what you said about the need for potent and robust military force, which I think we all agree with, but can you tell us a bit more specifically, elaborating on what you said before, of the kind and size of the forces that we need to be prepared to fight those wars that you think we may have to. For example, if we may not need that 18-division Army and that 14-carrier Navy, and both the B1 and the B2 bombers simultaneously, if we don't need them all at once in the future, can you tell us more about what among them we may be prepared to give up?

THE HONORABLE RICHARD B. CHENEY: Right now we're in the middle, within the department of developing the next six-year plan, the package that will go to the president in the fall and to Congress next January. And it, more than anything we've done to date, will reflect the thinking within the department about the kinds of changes we can now afford to make assuming continued positive trends in international developments. I don't want to be too specific but let me give some ballpark figures of the kinds of things we're looking at and the kinds of changes and adjustments we're making. I mentioned earlier we're talking about a Navy that instead of having 600 ships, is closer to 450 ships, about a Navy that instead of having 15 carrier battle groups which is what we had last spring, probably something closer to 12 aircraft carrier battle groups. We're talking about a Navy with fewer attack submarines than the 100 that's sort of been the target for some time. We're talking about a United States Army that's probably 20 - 25% smaller than it is today in terms of manpower. The exact mix of active to reserve components is a subject

of debate. There's a major study underway that we're working on now at the direction of the Congress on what the exact mix ought to be. Sort of three categories of forces you can think about in the future – your active duty forces, those that are ready to go to war tonight if the president calls on them – your reserve forces, your Guard and Reserve that would take a few months to get up to speed before you could deploy them successfully. In some cases some of them have a higher state of readiness depending upon the units. And then the third category, what I would call reconstituted forces, the kinds of forces that you would build given a year or two notices in reversal in worldwide trends. With respect to the Air Force, we're obviously looking at something that's significantly below the 36 tactical fighter wings we deploy today. How that translates into force structure is a lot fewer people – 2.1 million people in uniform today. If you applied the rule of thumb of a 20 - 25% cut, we're obviously looking at taking approximately half a million people out of the military service. If you look at our procurement strategies, you'll find, I mentioned earlier what we've done with tanks and helicopters. We just recently completed a review of all of our major aircraft programs, decided that some of those programs can be slit or reduced. We reduced the total buy for the B2 bomber for example, slit the effective date when we would have to deploy the next generation fighter on the ground. The Soviets, given their economic problems are likely to find it difficult to bring the next generation on as early as had originally been anticipated. So we are in fact making those kinds of changes and adjustments in our forces. It's also a time, though, when we, I think, need to ask some of the tough questions that have not perhaps been asked in the past. It may be that the right answer for us when all of this is over with is to take the force we've got today and just shrink it, make it



smaller than it is today, that we shouldn't make any other changes, no new allocations of roles and missions, no new emphasis on certain kinds of forces as opposed to others. My guess is that's probably not what we should do. The new force has to reflect the change in Europe and that means obviously that the Army gets hit hardest in terms of force structure reduction because you're going to need fewer forces for the mission they'll have to perform in the future. But all of that is still in a state of flux as we go through the planning process inside the department, look at all of the options and possibilities, anticipate signing arms control agreements, but I can only anticipate them. We don't have them yet. A final point I'd make that I think is crucial is timing. I have enormous difficulty conveying to people the difference between what happens this year and what you can do over a five or six-year period of time. If I've got five or six years, I can save a lot of money and I can do a lot of restructuring and I can significantly downsize the force in an intelligent fashion. If I have to do it all in one year, we're going to create absolute havoc with our current capabilities.

DAVID HARTMAN: Mr. Secretary, along these lines, let's assume for a moment that we're going to draw down in an appropriate manner to meet whatever credible threats there are around the world. Let's assume for a moment that we can indeed afford 4 or 5% of GNP on defense and a quarter of the budget, whatever those numbers happen to be, and that the electorate will support those numbers. However, Alice Rivlin, economist, you know, Congressional Budget Office formerly, not a hawk economist by any stretch of the imagination, says that we certainly can afford 4, 5, 6, 7% for the GNP on defense. The problem is not that we can't pay for it. The

problem is that to the tune every year of tens of billions of dollars, that money gets wasted. Not necessarily fraud, but just the waste of tens of billions of dollars in this process. What are the major factors involved in wasting all that money? And how likely is it that you can change it?

THE HONORABLE RICHARD B. CHENEY: Let me talk about waste, fraud, and abuse for a minute if I can, David.

DAVID HARTMAN: I tried to split them apart, but go ahead.

THE HONORABLE RICHARD B. CHENEY: There is the notion that somehow the money we spend on defense is wasted. And if you take it as a general category, I would take exception with the views of my friend Alice Rivlin. I can't say that we do everything right in what is a \$300 billion annual enterprise. Obviously we don't, and I'll talk about that in a minute. It's a basic proposition. We are talking about that we are today spending about 5% of our GNP on defense. If we follow the president's plan, we'll be down by '95 to 4% of GNP and that will be the lowest level of spending as a percentage of GNP since before World War II. I don't think that's an overwhelming burden. It would be about 21% of the federal budget by then. That contrasts with 43% of the federal budget during the Vietnam War, 50-something percent for Korea. So it really is coming down in relative terms no matter how you measure it, even under the president's plan. I don't think it's wasted. I think the peace and freedom and security we've enjoyed for the last 40 years is the so-called peace dividend and that it was worth every penny of it. Now can we do a

better job of managing the department? Absolutely. One of the things the president charged me with when he asked me to take the job was to go over to the department, to implement the Packard Commission recommendations for example and to find ways to improve the management of the department. There is nothing like a period of fiscal austerity to bring out the best in terms of trying to manage an organization. I'm sure all of you have had the experience of going through those periods of times. And we are, in fact, now being forced because of fiscal cuts, spending cuts, to look at the way we do things and to get rid of those items that don't add value to what we do. There are some special problems that apply to the Defense Department. My friend Don Atwood – who many of you may know, he's a former vice chairman of General Motors before he became my deputy – Don likes to talk about what it was like in the private sector at General Motors when you had a supplier who didn't keep his commitments and live up to his obligations. You know if the guy didn't deliver the product on time or if it didn't meet the quality standards that had been established, or it didn't come on price, you canned him. You went down the street to his competitor and bought from him. I have great difficulty doing that. I have trouble doing it because we're dealing with public funds, because every time we cut somebody off, he's got a court of last resort. He can go to Congress, talk to his congressman or his senator and people believe that they've got a right to the business of the Department of Defense since it's financed with taxpayer money. Secondly, I've got the problem called the lowest bidder. I have no choice except to basically sell to the lowest bidder, buy from the lowest bidder. And that's not always wise. What it results in is a goofy situation in terms of how we try to ensure quality. In the private sector, you can go out and say, well, yes, you're the lowest

bidder, but I've got a track record with this guy over here. His price is a little higher but I know he can deliver the goods when I need them so I'm going to go with him. I'm not allowed to do that. If somebody walks through the door, say Campbell's – my friend Ed Harper is here tonight – and they want to sell tomato ketchup to the Department of Defense, I can't just go buy tomato ketchup from Ed. I've got to take it from the lowest bidder. And if somebody walks through the door and says I'll sell it to you for half the price, I've got to do business with him. Now it may be that he buys Ed's tomato ketchup and waters it down and then sells it to the Department of Defense. The way I get around that problem is with requirements. And we publish page after page after page of requirements, what the tomato ketchup has to look like, what the jar has to be, what size it has to be, how many tomatoes it has in it, how much water and all the rest of that stuff that makes it difficult to do business with us because that's how we ensure the quality of what we buy because I don't have the option of doing business the way the private sector does. We are trying very hard to improve on that. I've got a legislative package that we submitted to Congress a few weeks ago, didn't get a lot of coverage, didn't get nearly as much attention as stories about a cost overrun on a weapons system will. But it will help get Congress off our back and give us the authority we need, we think, to run a smoother, more efficient operation. And we've already identified \$39 billion worth of overhead that we're taking out of the department, 42,000 jobs that we're eliminating. We've got a major effort underway to consolidate a lot of operations within the services. So we are, in fact, trying to do a better job of how the money's spent. And I must say, one of the advantages of going through the kind of situation we are right now is that fiscal austerity does, in fact, allow me as Secretary to impose greater discipline on the

department than would be possible under other circumstances.

MARSHALL LOEB: Mr. Secretary, many people believe that the primary threat to the security of the United States is no longer presented by the Soviet Union but instead by the spread of illegal drugs and street crime in America. Do you see the military taking a role in stopping the growing, the importation, or the distribution of drugs, or in helping to stop street crime particularly in our cities?

THE HONORABLE RICHARD B. CHENEY: The military clearly has a role to play in the counter-narcotics program. The president has made it clear he wants us involved. The Congress has made it clear that they'd like to have us involved. We've tripled the budget from about \$400 million a year ago to \$1.2 billion which is what we plan to spend in '91 on the effort. We are doing a lot more now. We're helping in the interdiction efforts across the Caribbean and along the southern border. We've got a lot of teams actively working in Latin America helping the host nations down there where the stuff is produced, to train them to be able to deal with the problem themselves. But, an important qualifier here, we are not a law enforcement agency. The United States military is trained basically to deal with a military threat – everybody coming over the hill– not sort through and find the one individual who may be guilty, read him his rights, arrest him and haul him off to jail. That's a very different function. We've had a long tradition in this country that we don't want the military involved in a civilian law enforcement role, and I think it's important that we preserve that principle. So we can, in fact, take it up to a certain point. We

can be supportive. We are doing that. Every National Guard now has an approved program for involvement. They all get funded through our budget as part of that effort. But there is a limit to how far we can go before we cross over that line that would get us involved in an area that I don't think anybody wants to see the U.S. military involved. And that area I would put, for example, urban street crime as something we shouldn't be dealing with.

DAVID HARTMAN: Mr. Secretary, when you were a member of Congress, in an interview, you said that a lot of the job – this is before you were Secretary of Defense – a lot of the job of the Secretary of Defense is saying no to the services for things they can't afford or the Congress wouldn't provide, and to Congress, what you suggested, at times makes what you called outrageous requests. How much of your job now these days is saying no and what kind of responses are you getting from everybody?

THE HONORABLE RICHARD B. CHENEY: I underestimated the difficulty of the task, David. (Laughter) A lot of it is. And it's not, I don't mean by that to in any way unfairly criticize either the services or the Congress. I've got ten pounds of program and an eight-pound budget. And the only way you can deal with that is basically to cancel programs. I've cancelled some 20 programs, major programs, since I became Secretary, tried to cancel them. I haven't gotten all of them cancelled yet. Congress has intervened in a couple of places. The other thing of course, the problem from a congressional standpoint is that Congress is motivated by a legitimate desire to represent their constituents' interest. I was a congressman for ten years. When I was Wyoming's

congressman, they paid me first and foremost to worry about Wyoming. That was my assignment in Washington. And I would not have been their congressman very long if I hadn't done that. So I understand the problems of my colleagues. But the fact is that if we make decisions about shrinking the defense budget and cutting back on our forces based strictly upon those constituent concerns, based strictly upon the parochial concerns of jobs back home in the district, we're going to blow it. We're going to end up protecting bases that we don't need, keeping open production lines, producing equipment we don't need. And we will not have, at the end of the build-down, five or ten years hence, the kind of quality force we need to do what I think everybody would agree needs to be done. Bases are a classic example. It is very hard to close a military base. There are certain hoops I have to go through by law before I can close a base. I have to do six different studies – an environmental study, economic impact study, operational impact study – before I can recommend a base for closure. I can only make those recommendations when the moon is full, on the third Tuesday in January. (Laughter) Actually I can only submit it in January, a recommendation. When the budget goes up in January, I can submit base closing recommendations. That's the only time I'm allowed to by law. It's tough. And base closings, there's nothing more sacred to a member of Congress than a military facility. And all around the country that's absolutely true. And I like to tell the story about a meeting recently with a Texas delegation talking about base closings. And in the middle of the conversation, one of them piped up, he said, look, Dick, he said, why don't you close foreign bases? I said, what do you mean by foreign bases? He said, Oklahoma, California, New Jersey. (Laughter) So it is a problem for us. And my task is in part is a political one. It's trying to

manage the process in such a way so that we take down the force in an even, balanced fashion, that we get rid of those things we don't need, get rid of those things that are motivated primarily by a concern and consideration for jobs back home in the district to protect what's essential about our military capability.

MARSHALL LOEB: Mr. Secretary, what can we do thwart, to hold down the threat of terrorist attacks, including even possibly nuclear attacks, notably from Third World nations? And corollary to that, is that one reason why you believe that we should continue the funding of the Strategic Defense Initiative? And if you do, how much do you think we should spend on SDI?

THE HONORABLE RICHARD B. CHENEY: Well, the SDI, the rationale for SDI continues to be primarily the Soviet strategic capability and the belief, which I hold, that the world will be safer the sooner we move towards a more balanced relationship between relying upon offensive deterrent capability – the ability to destroy your attacker – and defensive strategic capability – the ability to destroy its forces should they ever be used against the United States. I think when you add to our ongoing concern, the proliferation of sophisticated weapons technology in the Third World, the arguments for SDI, if anything, have gotten stronger, not weaker. We estimate that by the end of the decade there will be some 15 or 16 Third World countries that will have ballistic missile technology. We're not talking about SS-18s like the Soviets have, intercontinental range. But we are talking about intermediate range and short range ballistic missiles, weapons armed with either nuclear, chemical, or biological warheads. That's a whole



new proposition – mutual assured destruction. A doctrine we've adhered to with the Soviets now for 40-some years worked as long as the Soviets were the only ones you really had to worry about and as long as there were rational people in charge in the Soviet Union. Now, if you look at some of the nations that are acquiring this kind of capability, you have to be concerned that the doctrine of mutual assured destruction may not be adequate to the task. I'm not suggesting that within the next eight or ten years the United States is going to be directly threatened in terms of the continental United States by these capabilities, but clearly our allies overseas are. Look at the Middle East. Clearly, U.S. forces deployed overseas may be. And the one part right now, of our total posture, one part of the total threat that we have no defense against, ballistic missiles. We simply cannot cope with them given our current capabilities. The initiative that's underway within the SDI, the Strategic Defense Initiative, that offers some possibility that we may ultimately be able to deal with that threat is part of the SDI program. That's part of what we fund when we continue SDI research and development. I think that there are no technical problems there that are showstoppers. I think we've got the capacity over the next few years, if we continue to apply ourselves, and we are currently investing about, a little over 1% of the defense budget in this effort, a little over \$3 billion last year, I think if we continue that effort, President Bush will have the opportunity within the next few years to make a decision about whether or not we want to deploy. And I think it's in our interest, I think it's in our allies' interest, to continue that program. I do think that it's vital, especially in light of the developing Third World threat.

MARSHALL LOEB: Is there anything else you'd care to tell us about what we might be able to do to counter terrorist threats?

THE HONORABLE RICHARD B. CHENEY: Well, the terrorist problem, of course, is a difficult one, primarily because it's always difficult to know who to attack, who to hit if in fact they launch an attack on the United States. The panel that recently completed the investigation of Pan-Am 301, or Pan-Am 103, under Ann McLaughlin, I think did some good work, called for the U.S. military to have the capability to respond to terrorist attacks. I think we have that capability today. It's not so much a matter of developing the capability as it is the intelligence to be able to either head off the attack or once an attack has taken place, to know who to target if in fact you decide to retaliate. And there have been a few occasions in the past when we've been able to do that – everybody remembers the Libyan raids – but it is a difficult assignment. And while you obviously want to do everything you can to deter terrorism against the United States and to retaliate, respond when it's appropriate, you don't want the United States to fall into the trap of lashing out against innocent people. That would, it seems to me, feed and benefit the purposes for which the terrorist attack was originally launched. So care and caution is in order.

DAVID HARTMAN: Mr. Secretary, finally a perspective question, particularly because of your experience – White House, Congress, Secretary of Defense and so forth. Those of us who have been following the papers and reading about the Summit over the last few days, there seemed to be some confusing kind of signals from all these meetings and what happened in the Summit. On

one hand, we signed a trade agreement but the president says he's not going to push the Senate on it until there's some kind of response from the Soviets, the Lithuanian, Jewish immigration and so forth. At the same time, we said we'd sell more grain to the Soviet Union. We signed an arms agreement, but the agreement is not going to show results until somewhere way down the road and the details are certainly not specific at this point. It's still up in the air. On one hand, the president praises Mr. Gorbachev very much so publicly. And at the same time, you have been quoted as suggesting you think Mr. Gorbachev may indeed not last over there for an extended period of time. These things seem like a contradiction, some of them, to the guy on the street. What happened here over the last few days? What did we see? And how can we read what happened between these two men and what it means to us down the road?

THE HONORABLE RICHARD B. CHENEY: It sounds to me like a complex relationship that we've got there, David. (Laughter) It's true that I have in the past indicated that I thought there was some doubt about whether or not Mr. Gorbachev would be able to manage this task he set for himself in trying to transform Soviet society politically and economically. And every time I go on the Brinkley show on Sundays, Sam Donaldson always trots that out and asks me if I still remain firm in my prediction. They ask me how long I think Mr. Gorbachev is going to last. I'm always tempted to say, Sam, I think he'll probably last longer than your new prime-time television show will last. (Laughter) But I haven't said it. I haven't said it. But, you know, I think...

DAVID HARTMAN: How long do you think he's going to last?

THE HONORABLE RICHARD B. CHENEY: You've gotten your last followup, David. No, I would describe the Summit...I remember the first summit I ever attended was in Vladivostok in 1974 with President Ford. We went to Vladivostok shortly after he took over and met Brezhnev and then we had the summit in Helsinki the next summer. I've watched him over the years. This one was intriguing for several reasons. This was the third time I'd been around Mr. Gorbachev for any length of time and had the opportunity to talk with him and watch him operate – once in Moscow, once when he was here in December of '87 and then again this time. The relationship clearly has been transformed and been transformed in part due to his efforts. And I think anybody would have to recognize that regardless of what you may think about Mr. Gorbachev or his long-term prospects. He has indeed made a very fundamentally different set of decisions than his predecessors did about allowing Eastern Europe to have self-determination, by trying to reform the Soviet economy, etc. The thing that struck me in this series of meetings – we started on Thursday morning, we had the formal arrival ceremony at the White House. The president had a one-on-one with him that morning. We then had a bigger bilateral meeting in the afternoon where we spent a couple of hours on Germany and European security, the State Dinner that night. The next morning, a couple of hours on arms control, more private meetings, a signing ceremony and so forth. And then all day up at Camp David on Saturday and concluded with dinner Saturday night up there. The most striking feature, I think, was that this time around, that the issue that we spent a lot of time on, the issues that still divide us, but nonetheless we were

able to discuss, are those issues that have been for 40 years at the heart of the Cold War. The Cold War has not just been about weapons systems on both sides. For 40 years we've negotiated arms control agreements, partly because we were concerned about armaments on both sides, partly because we didn't have anything else we could agree to talk about. We've talked about human rights inside the Soviet Union and regional issues. We did all of that this time as well. And I think we did make progress in the arms control arena. I think the START Treaty is very close to being wrapped up. It is very specific. We've got hundreds of pages of text. We've still got two or three outstanding issues we have to resolve, but I think we'll get that done in the next few months. So we're very close to finalizing that agreement. We've got a chemical weapons agreement for the first time ever – a significant breakthrough. We've still got a lot to do. But at the heart of the debate this time, the meetings with Germany, reunited Germany, a democratic Germany, ending the division of Europe, ending the Soviet occupation of Europe that has, in fact, been at the heart of the Cold War for 40 years. That's major progress. Just because you no longer are dealing only with those other things you could agree to talk about. And to sit around the Cabinet table in the West Wing with the Soviets and Americans and discuss those kinds of issues and about where the Soviet Union and the U.S. and NATO and Germany are going to be 10 or 15 years down the road and do it in a way that's not vitriolic and there's not a lot of emotion, where it's very business-like, is a significant change from the summits I remember participating in the past. Part of that, I think, is due to Mr. Gorbachev. Part of it, I think, is due to the president. Part of it is due to the times we live in. It is, in fact, a measure of the very significant progress that's been made. I think we've got a great deal at stake in the Soviet Union

in terms of those developments. I think as long as the Soviets possess the capacity, which they have today, to destroy the rest of the world, we all have a stake worldwide in what happens in terms of those internal domestic developments inside the Soviet Union. The best guarantee of peace is a Soviet Union that in fact lives in democracy, has a government that represents the will of the majority, etc. I think the way for us to promote that is to pursue a set of policies that are in the U.S. interest and in the interest of our allies, to work with the Soviets to encourage democratization, encourage their economic reforms and developments. I don't think we want to be in the position where we put all of our eggs in the basket of one Soviet leader. I think there is uncertainty and potential instability in terms of the outcome of current developments inside the Soviet Union. But I think the president's got it calibrated just about right. I think it's a mixture of firmness and toughness and defending our position and stating very forthrightly and very clearly our views and our interests and doing so in a way that is non-hostile and non-threatening and non-confrontational while at the same time we encourage the very positive trends we've seen over the last couple of years. So I'd be hard-put to improve upon the performance in terms of the way it went. These are difficult, complex issues that we couldn't even talk about a few years ago and now we're sitting around the table talking about how we reunite a Europe that's been divided for half a century. (Applause)

CHAIRMAN RAND V. ARASKOG: Well, Mr. Secretary, we appreciate very much your taking the time to come up and speak with us. We certainly appreciate the questions that we've had from David Hartman and Marshall Loeb. And we look forward to seeing most of you at the next

meeting, and take care on your way home. Goodnight. (Applause)