



CURRENT NEWS

PART II - MAIN EDITION - 1130

THIS SUPPLEMENTS PART I - EARLY BIRD EDITION



I

WEDNESDAY, JANUARY 12, 1983

THIS PUBLICATION IS PREPARED BY THE AIR FORCE AS EXECUTIVE AGENT FOR THE DEPARTMENT OF DEFENSE TO BRING TO THE ATTENTION OF KEY DOD PERSONNEL NEWS ITEMS OF INTEREST TO THEM IN THEIR OFFICIAL CAPACITIES; IT IS NOT INTENDED TO SUBSTITUTE FOR NEWSPAPERS, PERIODICALS AND BROADCASTS AS A MEANS OF KEEPING INFORMED ABOUT

THE NATURE, MEANING AND IMPACT OF NATIONAL AND INTERNATIONAL NEWS DEVELOPMENTS. USE OF THESE ARTICLES HERE, OF COURSE, DOES NOT REFLECT OFFICIAL ENDORSEMENT. FURTHER REPRODUCTION FOR PRIVATE USE OR GAIN IS SUBJECT TO THE ORIGINAL COPYRIGHT RESTRICTIONS.

NEW YORK TIMES 12 January 1983 Pg. 15

Pentagon Budget Planning Criticized by 2 Studies

By CHARLES MOHR
Special to The New York Times

WASHINGTON, Jan. 11 — The large military budgets planned by the Reagan Administration will probably not increase the weapons and fighting ability of United States armed forces because Pentagon planners have consistently and seriously underestimated the costs of weapons, two studies have concluded.

Both studies, one from within the Pentagon and the other by a conservative research group, call for fundamental reforms in the way military budgets are made and military planning is conducted.

One of the basic conclusions of both studies is that the cost of purchasing, maintaining and operating the military equipment considered for purchase by the Pentagon in its current five-year plan will be significantly greater than the \$1,600 billion that President Reagan had hoped to budget for the military between October 1982 and October 1986.

This "mismatch between reality and planning," or "underfunding" of future PENTAGON...Pg. 4

PHILADELPHIA INQUIRER
12 January 1983 Pg. 2

Thais lobbying U.S. for arms stockpile

Associated Press

BANGKOK, Thailand — Thai military leaders this week are urging the chairman of the U.S. Joint Chiefs of Staff to support the establishment of a U.S. "war reserve contingency pool" in the Pacific region and to speed up the delivery of U.S. weapons to Thailand, a Thai spokesman said.

Army Gen. John W. Vessey Jr. arrived here yesterday for a three-day visit, his first since his appointment in July. He was stationed in Thailand in the early 1970s while a brigadier general.

Thailand's supreme military commander, Gen. Salyud Kerdphol, proposed the contingency pool at a regional conference last month. It would stockpile small arms, aircraft engines, spare parts and other equipment for use by threatened small nations lacking the financial means to maintain their own reserves.

PHILADELPHIA INQUIRER 12 January 1983 Pg. 8

Weinberger finds \$8 billion in '84 budget reductions

By Frank Greve
Inquirer Washington Bureau

WASHINGTON — Defense Secretary Caspar W. Weinberger bowed yesterday to White House and congressional pressure and agreed to slow the growth of military spending by about \$8 billion next year.

More than half the proposed reductions would come from lower fuel costs and smaller estimates of future inflation, Weinberger said. Much of the rest will come from trimming back a proposed 7.6 percent military pay raise.

Conspicuously exempt from the cuts, which represent a saving of about 3.3 percent, are the Reagan administration's ambitious programs to buy new military hardware. Weinberger said the expensive weapons were "needed to regain our national security."

President Reagan hailed the cut. In Dallas, he told reporters after a speech to a farm group that the new cuts would not set back "in any substantial way our defense program. That still remains a top priority — the security of our people."

He said the cuts are not "a ploy" and were not "intended to persuade Congress." But any further cuts imposed by Congress, he warned, "would be endangering the security of our country."

"I'm delighted" with the cut, he said. "I'm accepting that gladly. Cap did it. I'm pleased with it."

Weinberger was under pressure from all sides to slow down military spending to offset soaring deficits, but he had hoped to hold the cuts to less than \$4 billion. He indicated in a surprise press conference yesterday

WEINBERGER...Pg. 4

NEW YORK TIMES
12 January 1983 Pg. 2

WEINBERGER URGES CUT OF \$8 BILLION IN '84 ARMS BUDGET

By RICHARD HALLORAN
Special to The New York Times

WASHINGTON, Jan. 11 — Secretary of Defense Caspar W. Weinberger announced today that he had recommended to President Reagan an \$8 billion reduction in military spending proposed for 1984 to help cut the projected Federal deficit of about \$200 billion.

"In response to economic problems," Mr. Weinberger told reporters at the Pentagon, "we have agreed before, as we agree now, to modifications in our original program to rearm America."

President Reagan, speaking in Dallas, asserted that "we are not reversing our course" on increasing military power. The President contended, "It is not setting back in any substantive way at all our defense program, because that still remains our top priority."

Tepid Reaction in Congress

Initial Congressional reaction was tepid, with supporters of increased military spending expressing disappointment and advocates of smaller military budgets asserting that the cut was not enough.

In a related development, Administration officials said today that Treas- ARMS BUDGET...Pg. 2

Helen Young, Chief, Current News Branch, 697-8765

Daniel Friedman, Assistant Chief

For special research services or distribution call Harry Zubkoff, Chief, News Clipping & Analysis Service, 695-2884

PART II -- MAIN EDITION -- 12 JANUARY 1983

ARMS BUDGET...Continued

ury Secretary Donald T. Regan was preparing major income tax reform proposals that could lead to a flat tax or a consumption-based tax that might be included as one of the major initiatives in the President's State of the Union Message.

A flat income tax would generally repeal most of the current deductions and set one or several tax rates to cover all incomes instead of the progressive rates and itemized deductions now in effect. With a consumption tax, the money that people saved, as long as it was in a special new type of savings account, would not be subject to income tax. It would be the remainder of their income that would be taxed.

The new Weinberger plan, which would slow the growth in military spending, is one of three key decisions the President has before him as the Administration enters the final days of preparing the 1984 Federal budget. Administration officials said they hoped to show a Federal deficit declining to less than \$100 billion by 1988 instead of rising to the nearly \$300 billion deficit predicted recently if there were no change in current domestic programs and tax policies.

The other decisions, Administration officials said, are a provisional plan to raise taxes by \$100 billion over a three-year period starting on Oct. 1, 1985, and a selective freeze on domestic Government spending that would include lids on pay rises for Federal employees.

Mr. Weinberger, who departed from his practice of not commenting on his recommendations to the President, said the Director of the Office of Management and Budget, David A. Stockman, who had reportedly been insisting on greater reductions in military spending, had agreed to the cuts. But Mr. Weinberger declined to say that Mr. Reagan had formally made a decision.

There are two sides to the military budget, both of which the Administration is proposing to reduce below the levels projected for the next fiscal year. One is appropriations, or budget authority, not all of which is spent in the year they are voted by Congress. The other is outlays, or the amount that actually will be spent by the Pentagon in the fiscal year that begins next Oct. 1.

Mr. Weinberger said he had recommended a reduction of \$11.3 billion from the appropriation of \$284.7 billion that the Administration had projected for the fiscal year 1984, which begins Oct. 1. In response to questions, he asserted that would lead to \$8 billion in savings from projected outlays of \$247 billion in the same fiscal year. The remaining savings would come later.

About half of the 1984 reductions were the consequence of lower inflation rates and fuel prices, Mr. Weinberger said, with the other half to come from holding down military pay increases, canceling some training exercises and deferring

military construction.

Large Programs Held Intact.

The Defense Secretary said no large weapons programs had been cut in the latest budget review, but he declined to disclose what programs may have been reduced or expanded as the military budget was prepared earlier. They will become known when the budget is submitted to Congress late this month.

The proposed savings for 1984, therefore, may have little long-run effect, since spending for weapons rises in the years following initial appropriations. In addition, about half the reductions projected for 1984 might have been saved anyway, since they are the consequence of lower rates of inflation and fuel prices.

Mr. Weinberger said that while the reductions would protect essential parts of the Administration's military program, "no one should believe that these reductions will not adversely affect some of our military capabilities." He said those included readiness and training.

No Adverse Effects Seen

But he asserted, "None of these reductions would adversely affect the major programs needed to regain our national security and to restore the balance by which we can effectively maintain peace and prevent aggression."

He said that he could not recommend further reductions and that he would request more money later if inflation estimates proved wrong or the price of fuel went up.

The Defense Secretary brushed off suggestions that the latest reductions would depress increases in military spending below the 7 percent annual increase in real growth, after inflation, that were pledged when the Reagan Administration took office two years ago. He asserted that "percentage leaps are not relevant."

In both budget authority and outlays, the new Administration proposal for increases in military spending come to 14.9 percent, including inflation, when measured against budget authority and outlay levels voted by Congress for 1983. Mr. Weinberger declined, however, to disclose the Administration's estimate for inflation, which would be subtracted from those figures.

Reductions in Growth

If the newly proposed increases were to be measured against the Administration's increases announced a year ago, as Mr. Weinberger earlier contended should be the gauge, the budget authority increase comes to 6 percent and in outlays to 10 percent. With inflation subtracted, both growth figures would probably be less than 7 percent.

Mr. Weinberger, who asserted that the President's \$1,600 billion five-year plan for enhancing the armed forces had already been cut by \$41 billion, said he hoped that "everybody on both sides of the aisles" in Congress would agree that the cut announced today would be enough.

Reaction in the Senate Armed Serv-

GENERAL NEWS SUMMARY

FROM THE WALL STREET JOURNAL

JANUARY 12, 1983: Pg. 1

World-Wide

* * *

Richard Schweiker is resigning as Health and Human Services secretary to become president of the American Council of Life Insurance, a trade group. The resignation, which caught some White House officials by surprise, is to be announced today. It follows by two weeks Transportation Secretary Lewis's resignation. (See story on Page 2).

* * *

Thirteen U.S. congressmen visiting Moscow said the Soviet Union is weighing the "destruction" of some of its SS-20 medium-range missiles after reducing their total number in eastern Europe to 162. But the reduction is contingent on NATO ending plans to deploy new U.S. medium-range missiles in Western Europe, they said.

* * *

A DC-8 cargo plane carrying a canister of low-level radioactive material crashed early yesterday near Detroit Metropolitan Airport, killing all three crewmen. The United Airlines jet was hauling the material from Cleveland to Los Angeles. A health official said the canister's seal was unbroken.

NEWS SUMMARY...Pg. 4

ices Committee was mixed. The chairman, Senator John Tower, Republican of Texas, said the cuts would "probably diminish slightly our capabilities but will not cut into bone and marrow." He said he would not have agreed with the size of the cut had he been consulted.

Senator Carl M. Levin, Democrat of Michigan, said, "It's not enough and it's in the wrong places." Mr. Levin, who has repeatedly criticized the Administration's proposals for rapid increases in military spending, said that big items, such as the MX missile, the B-1 bomber, and nuclear aircraft carriers should have been cut rather than pay and training that have the effect of reducing military readiness.

Until today, Mr. Weinberger seemed to have been successful in fighting off efforts by White House and budget officials to slice into military spending. Mr. Reagan, in his news conference last week, appeared to agree with Mr. Weinberger and Defense Department officials said that only cuts arising from new calculations of inflation and fuel prices could be expected.

As projections of Federal deficits grew worse, however, Mr. Reagan's economic and budgetary advisers became more insistent that the Defense Department share in spending reductions. Those officials carried their campaign into the press with a series of carefully placed leaks that angered the President and led him to order a clamp-down.