

co.” This is a stab at Algeria, which Paris now considers “treacherous.”

Spain, too, has come under heavy pressure, between France and Morocco, to break its commitment to NATO and join the anti-American axis. Diplomats in Rabat have made no secret that they consider Spain “unripe” for joining the NATO military alliance. Blackmail to push Spain toward the Soviet-sponsored axis takes the form of Moscow’s public support of Moroccan claims over the two Spanish enclaves of Ceuta and Melilla, an issue which could trigger civil war in Spain.

Pentagon countermoves

Last fall, the Pentagon began reassessing its policies toward North Africa, sending the highest-level-ever military delegation, led by Undersecretary of Defense General Burns, to Algeria, Tunisia, and Egypt in September, followed by two trips by Secretary Weinberger himself in October and November. All this made clear America’s concern for regional stability and its willingness to help in the fight against the Islamic fundamentalists and the Soviet troublemaker Qaddafi. But North Africans can’t help wondering whether Washington is only interested in firming up ties to get military facilities to make up for growing Soviet power in the region and the unreliability of such NATO members as Spain and Greece—or whether the U.S. will think in terms of using its newly developed Maghreb connection to spearhead the development of the African continent.

This last option is the prime consideration of Mubarak, Chadli, and Bourguiba. Because of traditional ties to the West, Tunisia and Egypt are ready to consider the military consequences of such a relationship, but this is hardly true of Algeria, which wants to remain non-aligned.

In his speech on April 19 at the White House, Chadli Benjedid stressed: “Beyond existing trade relations, there is, in the development of our national economy, considerable potential for multifaceted cooperation between our countries. The genius of the American people has enabled man to conquer nature! Algeria aspires to enter an era of scientific and technical progress that will lead to the acquisition and mastery of advanced technology in various fields to spur our national development.” This extraordinary speech was followed by lengthy visits of the Algerian President to the Imperial Valley to assess for himself America’s success in the fight against the desert and how it could be replicated in the Sahara. Algeria’s concern for high technology to allow the development of Algeria and of the Sahel region, was also revealed by the fact that although Washington granted Algeria the status of “friendly country,” allowing it to buy weapons at special credit, no deal was signed at that level.

This same issue will be brought up by President Bourguiba of Tunisia, a founding member of the Non-Aligned Movement, who will urge America to get involved now in the development of Africa—the only way to actually ensure the security of the Mediterranean.

Defense ‘scandals’: Who pays the bill?

by Carol White

On April 1, the General Electric Company was indicted before a federal grand jury in Philadelphia. Now, GE has pleaded guilty to 108 counts of defrauding the Air Force and agreed to pay the maximum fine of \$1.04 million. The amount in question is \$800,000 which they appropriated to themselves on a nuclear-missile contract.

While company executives had denied the charge, and 40 current and former employees of the company had denied allegations of fraud, despite the fact that they had been offered immunity from prosecution, the situation changed last week when one employee, a former GE unit manager, was indicted for perjury. Individual criminal penalties can go as high 10 years in prison, and fines of \$20,000.

Roy Baessler, a general manager, has now testified that he was involved in deliberately altering worker time cards, in return for the dropping of perjury charges against him. GE has accepted his testimony, and reversed its plea to guilty. Their Space Systems Division is now suspended from bidding on contracts by the Air Force.

The case involves the building of test equipment for the replacement and modernizing of Minuteman warheads, from the Mark 12 to the Mark 12A. The substantial charge is that GE ran into cost overruns which were not assignable to the government under this contract, and so they altered 100 worker time-cards in order to defray the costs by assigning \$800,000 in labor costs to a different contract—one in which cost overruns were reimbursable. One hundred out of 100,000 time cards were involved.

Despite the fact that this was made into front-page news, it would not be especially noteworthy were it not for the fact that on April 30, Deputy Defense Secretary Taft announced that 30 major defense contractors will be indicted in the near future. The top three, General Dynamics, McDonnell-Douglas, and Rockwell International, are presently being audited, along with Boeing, Newport News Shipbuilding, Bell Helicopter, and Pratt-Whitney.

While the Defense Department initiated the auditing process, the Justice Department, the Securities and Exchange Commission, and the Congress quickly got into the act, as what looks to be the beginnings of a “Defensegate” got underway with a great deal of media prompting and cheering.

In fact, it was leaks to the liberal press which, as usual, stimulated congressional action.

Granting that fraud, or even sloppy accounting practices, should be cleaned up, what we see now is overkill. The danger is that the same KGB-linked forces, who are presently waging an all-out campaign to sabotage U.S. military capabilities by reducing the defense budget, will move in to paralyze if not bankrupt leading components of the defense industry.

An example of this witchhunt spirit is given in the following quotations from the first of a five-part series in the *New York Times*, which began on May 14. The *Times* gloats: "The biggest peacetime military buildup in modern American history is coming to an end and the nation is asking whether it has been getting its money's worth."

The case of General Dynamics

The case against General Dynamics is particularly revealing, because it began with the testimony of a fugitive from justice who had, and has, known Soviet connections. By his willingness to testify against the company, Takis Veliotis, now living in Greece, has obtained FBI immunity from charges of perjury and the illegal receipt of \$1.3 million in kickbacks from subcontractors to General Dynamics.

In 1977, Veliotis became the head of the Electric Boat submarine-building division of the company. By 1983, he had fled the country. According to him, the company deliberately underbid on the construction of Trident and attack submarines, knowing that it would have cost overruns.

Another series of charges in this case, directly involves Defense Department employees. Admiral Hyman Rickover's wife is supposed to have received \$1,125 in jewelry, while the contracts were being bid. Various of the military were apparently wined and dined at such curious entertainments as the Carabou Wallow and the Iron Gates Ball.

On the more serious side, undersecretaries of the Navy Sawyer and Hidalgo were subsequently employed by the company, after leaving the Navy. Both were directly involved in representing the interests of the Navy in contracting with General Dynamics. While there are no specific charges against them, one of the things now under review is conflict-of-interest in the case of over 1,000 Defense Department employees who subsequently found a place in defense industry.

A lot of press attention has been given to the fact that various expense-account items found their way into charges to the government; for example, the costs of running an executive barbershop, the expense of kenneling a dog, tickets to a sports arena, the chartering of a private plane by the chairman of the board, and so on.

Another line of attack has been the failure of these corporations to pay corporate income tax, despite the fact that they are presumptively in the black. Thus, GE and Boeing had tax refunds in the years between 1981 and 1983, and General Dynamics has not paid taxes since 1972, although

they show a profit in the years between 1981 and 1983 of \$931 million. The list is longer.

This has led Representative Fortney, a Democrat from California, to capture headlines with the claim, "Current law is a corporate accountant's dream come true, in that it permits contractors to put off paying taxes until the completion of contracts." He intends to amend the law to ensure that they pay "their fair share of taxes."

Despite this supposedly rosy picture, the defense industry, like every other sector of U.S. basic industry, is in serious trouble due to the continued recession. In fact, General Dynamics shipyard has been forced to announce layoffs of up to 3,100 employees this year, because of insufficient shipbuilding contracts. The last layoffs on this scale occurred back in 1973, and then only 1,800 people were laid off. The total shipyard workforce is only 5,276.

The climate has been heated to the point where Air Force Secretary Orr is demanding that United Technologies and General Electric pay back to the government \$40 million and \$168 million, respectively. The reason given is that they were able to make exceptional profits on their contracts because they increased productivity and put forward their delivery date. They, naturally enough, have so far resisted this penalty upon good management. It looks like, damned if you do, and damned if you don't, for the defense industry.

Is there a moral to the story?

It is well known that American industry pours a ridiculous amount of money into public relations and entertainment; and that this can have a corrupting effect where business interfaces government. But the defense industries are not singular in this regard. It cannot be coincidental that the attack on the top defense contractors comes at precisely the time that the defense budget is under major attack, and especially the President's Strategic Defense Initiative.

When we examine the defense budget over the years, we see that the research and development line has been reduced in real dollar terms. From 1965 to 1981 the amount in actual dollars was only increased from a mere \$62 billion to \$153 billion. This, of course, is not unconnected to the ability of the Soviets to overtake the United States in these years. Under such circumstances, cost overruns must in many cases be covering what would otherwise be legitimate development costs.

An associated point, is the small scale of production of missiles, etc., which means that rather than being able to mass produce them, they are virtually handcrafted. Failure to expand the scale of production, far less those instances where it has been decreased, increases the direct costs of production and the indirect costs, which must also be defrayed.

By all means, Defense should continue its audit and weed out all corruption; but this cannot be allowed to become a pretext for the enemies of national defense to force the dismantling of the defense industry. If that occurs, we will all pay far, far more than \$800,000.