

**NOMINATIONS OF HELMUT SONNENFELDT,  
DONALD C. ALEXANDER, AND EDWARD C. SCHMULTS**

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**HEARINGS**  
BEFORE THE  
**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**  
NINETY-THIRD CONGRESS  
FIRST SESSION

ON  
NOMINATIONS OF HELMUT SONNENFELDT, OF MARYLAND,  
TO BE UNDER SECRETARY OF THE TREASURY; DONALD C.  
ALEXANDER, OF OHIO, TO BE COMMISSIONER OF INTER-  
NAL REVENUE; AND EDWARD C. SCHMULTS, OF NEW YORK,  
TO BE GENERAL COUNSEL FOR THE DEPARTMENT OF THE  
TREASURY

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MAY 15, 1973, OCTOBER 1 AND 2, 1973

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(III)

# NOMINATIONS OF HELMUT SONNENFELDT, DONALD C. ALEXANDER, AND EDWARD C. SCHMULTS

TUESDAY, MAY 15, 1973

U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, D.C.

The committee met, pursuant to notice, at 9:10 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long [chairman] presiding.

Present: Senators Long, Byrd, Jr., of Virginia, Nelson, Mondale, Bennett, Curtis, Fannin, and Packwood.

The CHAIRMAN. This hearing will come to order.

This meeting was scheduled originally as an executive session. However, in view of the fact that we wish to ask a few questions of the witnesses and we have no objection to this meeting being held as an open meeting, we will hear these nominees.

Is Mr. Helmut Sonnenfeldt here?

Since Mr. Sonnenfeldt is not here now, I would like to call Mr. Donald C. Alexander, of Ohio, nominated to be Commissioner of Internal Revenue, to succeed Johnnie M. Walters.

Mr. Alexander, we are pleased to have you before us here this morning and you come with good credentials and high recommendation. I will ask that a background statement be printed in the record in connection with your confirmation.

[The biographical sketch of Mr. Alexander follows:]

Partner in Cincinnati law firm of Dinsmore, Shohl, Coates Deupree, 2100 Fountain Square Plaza, Cincinnati, Ohio.

B. A. Yale (1942, with honors); L.L.B. Harvard (1948, magna cum laude). Member of Board of Editors, Harvard Law Review, 1947-48.

Member of Advisory Group to the Commissioner of Internal Revenue, 1969-1970; Consultant to the Treasury Department, 1970-1972; Vice Chairman, American Bar Association Section of Taxation, 1967-1968, and formerly Chairman of various Committees of the Section of Taxation. Member of Advisory Board, Tax Management, Inc.; Member of Advisory Board, University of California Tax-Exempt Organizations Institute; and Advisory Committee, New York University Institute on Federal Taxation. Former Member, American Law Institute Advisory Group for the Federal Estate and Gift Tax Project and Brookings Institution Conference on Estate and Gift Taxation. Member of Diocesan Task Force on Community Issues, Episcopal Diocese of Southern Ohio. Director of various corporations. Author of more than twenty-five articles on Federal Taxation subjects.

Second Lieutenant—Captain, U.S. Army, 1942-1945, serving in F.T.O. with 14th Armored and 45th Infantry Divisions. Awarded Silver Star Medal and Bronze Star Medal.

Born in Pine Bluff, Arkansas on May 22, 1921. Married to former Margaret

Louise Savage of Clarksville, Tennessee; two sons, Robert C. Alexander of San Francisco, California, B. A. Yale (cum laude) 1969, J. B. Harvard, 1972 (magna cum laude), and James A. Alexander, who will graduate from Yale in June, 1973.

## ADDENDUM

- "Tax Shelters," *XLV The Ohio Bar* 887 (1972)  
 Co-Author, 119-2nd Tax Management Portfolios, "Profit-sharing Plans—Qualification" (1972)  
 Co-Author, 105-2nd Tax Management Portfolios, "Pension Plans—Qualification" (1972)  
 Co-Author, "Present Giving to Charity under the New Law and Regulations," 40 *Taxes* 768 (December, 1971)  
 Panellist, "Estate Planning for the Real Estate Investor in the Seventies," 6 *Real Property, Probate and Trust Journal* 405 (Winter, 1971)  
 Panellist, "Professional Corporations," 24 *The Tax Lawyer* 223 (Winter, 1971)  
 "The Taxation of Debt-Financed Income: How Will it Work?" Tax Problems of Non-Profit Organizations 87 (1970). This article was also published in Private Charitable Foundations 2d at page 161 (1971)  
 Member of Advisory Panel, "Political Activities of Colleges and Universities, Some Policy and Legal Implications" (Special Analysis, American Enterprise Institute, October 7, 1970)  
 Co-Author, "Income in Respect of a Decedent," Eighteenth Annual Tulane Tax Institute 107 (1969)  
 "Tax Aspects of Entity—Purchases," Buy-outs and Business Planning 178 (1969)  
 Co-Author, "Satisfying Executives' Needs in Mergers, Acquisitions, etc; Pension and Profit Sharing Plans; Stock Options; Deferred Compensation Contracts," 27th Annual NYU Institute on Federal Taxation 1 (1969)  
 "The Use of Leverage Stock in Executive Planning; Dividends, Redemption, Control, Attribution," 24th Annual NYU Institute on Federal Taxation (1966)  
 "Dealings Between Related Taxpayers," 15 *Western Reserve Law Review* 241 (1964)  
 "Conference and Review Procedures in Field Audit Divisions; How New Procedures Affect the Handling of Tax Cases," 21st Annual NYU Institute on Federal Taxation (1963)  
 "Current Valuation Problems," 1963 Southern California Tax Institute 685 (1963)  
 "Valuation of Intangibles," 20th Annual NYU Institute on Federal Taxation 567 (1962)  
 "Some Tax Problems of a Professional Association," 6 *Tax Counselor's Quarterly* 295 (1962)  
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 "The Marital Deduction," 20 *Ohio State Law Journal* 99 (1959)  
 "The Use of Foundations in Business," 15th Annual NYU Institute on Federal Taxation 591 (1957)  
 "Research and Experimental Expenditures Under the 1954 Code," 10 *Tax Law Review* 549 (1955)  
 "How to Get a Revenue Ruling," Prentice-Hall *Tax Ideas Service* (1955)  
 "Dealings Between Individuals and Charities," *Proceedings NYU 2d Biennial Conference on Problems of the Charitable Foundation* 101 (1955)  
 "New Internal Revenue Service Rules for Taxpayer's Rulings," *Journal of Accountancy* 321 (March, 1954)  
 "Mine Development and Exploration Expenditures," 8 *Tax Law Review* 401 (1953)  
 "Overpayment of Taxes or Government Investments at Six Per Cent: The Problem of the Allowance of Interest," 7 *Tax Law Review* 231 (1952)  
 "Where is Sale Made?" *Taxes* 138 (1949)

The CHAIRMAN. Do you have a prepared statement or would you like to address yourself to your responsibilities and the problems involved in accepting this post?

**STATEMENT OF DONALD C. ALEXANDER, OF OHIO, NOMINEE TO  
BE COMMISSIONER OF INTERNAL REVENUE, VICE JOHNNIE M.  
WALTERS, RESIGNED**

Mr. ALEXANDER. I do not have a prepared statement, Mr. Chairman. I am deeply cognizant of the responsibilities of this post. I look forward to answering any questions that the committee may have of me.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. I have two or three, Mr. Chairman, more or less for the record.

I know there are those who have requested that all rulings issued by the IRS be made available to the public. Have you reached any decision on the priority or desirability of any such proposal?

Mr. ALEXANDER. Senator Bennett, I have not reached any decision with respect to this. I know that the IRS has been studying this issue very carefully. As I see it, there are two problems. One is our duty to inform the public of our policies, our procedures, our practices, how to get rulings, and what we are ruling on. The other is our duty to issue rulings promptly and equitably. Reconciling these two objectives with the resources that we have in people and money is something that I am going to get into as soon as I am confirmed, if I am.

Senator BENNETT. Then, as I understand it, your answer depends on your ability to get the resources to do the job and not specifically on the question of whether or not the ruling should be made public?

Mr. ALEXANDER. Not so much on whether rulings should be made public, although that question, I think, is in litigation at this time, Senator Bennett.

My thinking is, we should make public as much as possible within the limits of resources and time. I would be concerned, however, about publishing that which is not of particular help—if any help—to the public and at the same time slowing down the issuance of much-needed rulings to those who, for example, would like to change their accounting methods or accounting periods and who have a short time in which to act upon a ruling which they must secure from us in order to act.

Senator BENNETT. Well, I am sure you are aware of the problem and you are proceeding to handle it in what you think is in the best interests of the public.

Mr. ALEXANDER. I will try, sir.

Senator BENNETT. As you know, there have been questions raised by various congressional committees as to the administration of the IRS laws. I think you may have attended one hearing in this regard already.

I think you also know that the Joint Committee on Internal Revenue Taxation has been developing plans to use the GAO more extensively to review the administration of the tax laws. In addition, I understand that the Joint Committee is considering a review of cases on a post-audit basis and give assurance of equal and fair administration of the tax laws throughout the country.

Do you consider efforts of this type to be desirable and are you prepared to cooperate in carrying out the oversight duties of this type for the Internal Revenue Service?

Mr. ALEXANDER. I do consider efforts of that type to be desirable, Senator Bennett, and I am prepared to cooperate fully with the Joint Committee in these efforts.

Senator BENNETT. My impression is that the number of returns audited by IRS has declined in recent years. On an overall basis it is probably presently at or below 2 percent of the returns which are audited: Are you as concerned as we are about this declining percentage and are you trying to reverse this trend?

Mr. ALEXANDER. I am very much concerned about that declining percentage. I think that the decline has been arrested, has been stopped, and that the trend is now in the opposite direction toward an increasing percentage.

I will do everything I can to keep the trend going up rather than down.

Senator BENNETT. There is a great deal of concern just now about the effects of the tax law and the administration of the tax law on private charitable foundations. In view of this, do you have any thoughts as to the adequacy of IRS compliance activity in the private foundation area?

Mr. ALEXANDER. As I understand it, the IRS is meeting its commitments in the private foundation field to have a 2-year audit cycle for major private foundations and a 5-year audit cycle for smaller private foundations.

The private foundation provisions, as you know, Senator Bennett, are extremely complicated and somewhat difficult to understand. We are doing our best to finalize our regulations under all of these provisions to instruct our key district field office charged with the responsibility of enforcement of these provisions, and to see to it that private foundations comply with them.

Senator BENNETT. Would you think it might be worthwhile for the committee with your assistance to take another look at the whole mechanical process we set up to review private foundations?

Mr. ALEXANDER. It might be, Senator Bennett. Knowing the demands on the time of the committee, I do not know where the committee would place this on its list of priorities. I would hope that the committee could also look into the problem of simplifying the tax laws with a view toward making it easier for taxpayers to comply with the laws and to know their responsibilities and their duties.

Senator BENNETT. In this process of simplification do you think we should, against that background, consider the private foundation problem?

Mr. ALEXANDER. I believe so, sir.

Senator FANNIN. Thank you, Mr. Chairman. I am certainly pleased to have you with us this morning, Mr. Alexander.

We are glad to have the opportunity of visiting with you a few days ago.

Mr. ALEXANDER. Thank you, sir.

Senator FANNIN. Mr. Alexander, we keep hearing complaints that the Internal Revenue agents are graded on the basis of whether they meet some production quota which leads to the arbitrary assessment of tax deficiencies. What is your attitude toward production quotas?

Mr. ALEXANDER. Senator, like my predecessors I am completely opposed to production quotas, whatever they may be called.

The possibility that an individual agent may be judged, may be promoted, by the additional taxes that he assesses is one that I will do my best to eliminate from the thinking of the Internal Revenue Service collectively and the thinking of each individual agent.

We have instructions out and we have had them out for years prohibiting the use of individual records for this purpose or any similar purpose and I will see to it that those instructions are carried out.

Senator FANNIN. Thank you, Mr. Alexander.

How can you assure that revenue production is not a significant factor in promotion? We have stories around the country, and I know that in my own State this has been a consideration, how do you feel that you can insure that they will not continue.

Mr. ALEXANDER. I think it is a combination of procedures and people. First, on the procedural side, we have issued instructions, as I mentioned, to prohibit the keeping of these records. We can see to it that those instructions are carried out. On the people side, we have a management problem at the group supervisor level to make certain that the group supervisor, the immediate manager of the revenue agent, understands that this factor is not to be used as a means of evaluating the agent and as a test of promotion.

Senator FANNIN. Thank you.

Mr. Alexander, I understand that Commissioner Walters ordered an intensive audit of returns prepared by income tax preparers and discovered there was considerable abuse in this area, and I think there has been quite a bit of publicity about this matter.

What do you plan to do in the way of regulating private income tax return preparers?

Mr. ALEXANDER. The Treasury has submitted some legislative proposals in this respect to the Ways and Means Committee. I think those are excellent proposals and I hope the Ways and Means Committee and this committee will consider them favorably.

Senator FANNIN. Will you give us information that would assist us in that regard?

Mr. ALEXANDER. I will be glad to, Senator Fannin.

Senator FANNIN. Thank you.

The CHAIRMAN. Senator Packwood.

Senator PACKWOOD. Mr. Alexander, it would be helpful if this committee could receive current information on a continuing basis as to changes in policy by the Internal Revenue Service with respect to audit or litigation of tax issues.

Do you think that you could arrange for this kind of service?

Mr. ALEXANDER. I think I can arrange for that. Senator Packwood, working with this committee and the staff of the Joint Committee. I will undertake to do it.

Senator PACKWOOD. As you are aware, we are continually receiving complaints about arbitrary action by revenue agents in various field offices. Would it be possible to establish a special complaint desk in the field offices to receive complaints from individuals which would be monitored by someone in the nature of an ombudsman?

Mr. ALEXANDER. I will surely look into that, Senator Packwood.

As you know, this matter of taxpayer treatment by Internal Revenue agents and by revenue officers engaged in collection activities has



been explored by another congressional committee recently. We are very sensitive to this. We realize that Internal Revenue Service is not perfect. We are going to do our best to improve our taxpayer relations in the taxpayer service area and in the area that concerns you.

What means may best be used within the resources available to the Service is a matter that I will look into promptly and will be reporting back to this committee and to others.

Senator PACKWOOD. As you are aware, section 8023 of the Internal Revenue Code specifically authorizes the Joint Committee to secure directly from the Internal Revenue Service any suggestions relating to Internal Revenue taxation. Can we be confident that the Internal Revenue Service will respond to the statutory mandate, and I am quoting, "to furnish such suggestions directly to the Joint Committee," even though some other part of the executive branch, such as the Treasury Department or Office of Management and Budget, might have a different view on this matter.

Mr. ALEXANDER. Well, Senator, on that question you can be sure that the Internal Revenue Service will respond to its statutory duties to the Joint Committee on Internal Revenue Taxation. We will also, of course, respond to our superiors in the Treasury Department and to the Office of Management and Budget which reviews our budget annually.

Senator PACKWOOD. I won't pursue it. I understand the answer.

Questions have been raised frequently, Mr. Alexander, with the Joint Committee on Internal Revenue Taxation as to the present rules followed in the disclosure of tax returns to officials of States, to other executive departments and also in the case of committees of Congress. Would you be willing to work with the Joint Committee in trying to establish reasonable rules in this regard which limit the availability of tax returns to only the extent absolutely necessary?

Mr. ALEXANDER. I would be glad to do that, sir.

Senator PACKWOOD. As you know, many of the Internal Revenue Code provisions dealing with tax-exempt organizations are designed primarily to prevent abuse of the tax exemption privilege granted by the Internal Revenue Service. It has been suggested that this objective requires Internal Revenue agents and administrators to change their focus away from the raising of revenue and that an important step in this direction would be coordination of Internal Revenue Service personnel dealing in this area under an Assistant Commissioner for exempt organizations.

Would you give me your reaction to this proposal?

Mr. ALEXANDER. I would like to consider that proposal to see whether putting exempt organizations under a new organizational structure headed by an Assistant Commissioner would be an improvement over the present handling of exempt organizations within both the technical and the compliance functions. Perhaps exempt organizations and our responsibilities with respect to them do require a different organizational structure. If, however, we could meet those responsibilities without taking that step, I would prefer not to have another Assistant Commissioner at this time. Obviously that is a matter to which I want to give a lot of further thought.

Senator PACKWOOD. Thank you.

I have no other questions, Mr. Chairman.

The CHAIRMAN. Senator Nelson.

Senator NELSON. I got here a few minutes late. Was the question raised on the dollar deduction for political campaigns?

Mr. ALEXANDER. Not yet, Senator Nelson.

Senator NELSON. We did discuss this briefly when I visited with you.

Mr. ALEXANDER. Yes, sir.

Senator NELSON. I understand that was about \$1,200,000 was it?

Mr. ALEXANDER. We now have, according to the latest figures that I received last night, 2,067,000 favorable responses to the checkoff question.

Senator NELSON. I am sure you are aware of the complaints about having to fill out a separate form and, as I understand it, H.R. Block would charge a dollar, as you say, \$1.25 for filling out the form, so that the taxpayer could contribute a double dollar to his political party; is that correct?

Mr. ALEXANDER. Well, I am told that tax return preparers, including the largest one, do charge a price for each separate schedule and that price applies to this form 4875 as well as to separate schedules. I am also told that that price may be as large as \$1.50, but I do not know that of my own knowledge.

Senator NELSON. If they charge a taxpayer a dollar, \$1.50, or \$1.25, it practically defeats the whole purpose because it costs the taxpayer just about as much to contribute it in making out the form as he benefits, or rather he is supposed to be able to make a deduction and not cost him anything. So it costs him more to make the deduction than if he just contributed directly to some candidate, doesn't it?

Mr. ALEXANDER. That would be the case for an individual. This concerns me, Senator Nelson, because I am not sure how we can make our forms and our schedules fit the charges of the tax return preparers. I would hope that they could adjust their charges rather than our having to adjust our forms.

Senator NELSON. Well, what would be wrong with simply having a detachable permeated slip across the top of the form which simply says, "If you wish to make a contribution of \$1 to the party of your choice, mark X." That shouldn't cost anything.

Then detach it and have it go with the form.

What would be wrong with that?

Mr. ALEXANDER. That was suggested, as I understand it, last year, and was checked with the printers who apparently indicated that it would be a costly process. I want to look further into that because that might be a solution to the problem of the charges made by the tax return preparers and the use of a separate detachable form for this particular purpose. But as I stated, I have been advised that this was checked and it was found to be not feasible last year.

That is surely no reason for not checking further into it this year and I will do that.

Senator NELSON. You mean not feasible in terms of enough time to set up the form?

Mr. ALEXANDER. Apparently there is a problem in connection with the length of the form, getting this many forms printed in this short

a time and distributed to this many people, that if the detachable checkoff were at the bottom of the form, as now designed, that it would make the overall form too long for the printers to meet their obligations to the IRS without a large additional cost or a long additional time or both.

Now that is the point that I want to check into further.

Senator NELSON. Well, even if it weren't attached. Last year there was a separate form with a lot of writing. I filled it out myself. Even if you decided rather than have it on the form itself and you wanted it detachable, why couldn't it be just a small slip with nothing on it except if you want to make such and such contribution of a dollar, mark  $\phi$  in front of the Democratic Party and all the taxpayer has to do is mark the  $\phi$  and it is a separate form. Then you raise the question that there might be some concern by taxpayers if they are being audited and on there they showed they contributed to one political party or another a dollar, they might feel that they are being handled a little differently if the agent might be of the other political party. I doubt whether that is significant, but in any event, why couldn't you have a simple slip and all you have to do is mark an  $\phi$  and it goes in with the return and is separately filed and computed and a dollar taken off. Why wouldn't that work?

Mr. ALEXANDER. That might work. I will look into that, Senator Nelson, and also into the question of a line at the bottom of page 1 of the form 1040 like the line that is on the proposed new 1040-S that the Secretary presented to the Ways and Means Committee on April 80 which calls specific attention to the checkoff on page 1 of the return. That, coupled with the slip, a simplified 4875, is certainly worth looking into.

Senator NELSON. Could you at some stage advise the committee how far along you are in designing a new form or a new method or a simpler way so more people can participate in making this contribution?

Mr. ALEXANDER. I would not only advise the committee. I would undertake, as Commissioner Walters has already stated, to consult with the committee with respect to this problem.

Senator NELSON. Thank you.

That is all I have, Mr. Chairman.

The CHAIRMAN. Since that matter has come up, I would like to get a couple of things straight with you.

It seems to me that if you look at the record, the administration opposed this dollar checkoff vigorously, as strongly as they knew how, and indicated for the record that they would oppose appropriations to implement it, even if the taxpayers had indicated that they wanted it. The administration also said they would try to repeal the dollar checkoff.

Under those circumstances it seems to me rather obvious that by making this separate form complicated, where it costs more to fill it out than either the party or the taxpayer would gain by taking advantage of it, that this was an effort to torpedo it and a very successful effort at that.

Now, my thought is that the majority of this Congress is certainly going to vote to either use this device or else a direct appropriation to finance the Presidential campaign.

A lot of people want to go beyond that. I think we ought to just see if we can perfect a way to finance the Presidential campaign so that if a man wants to run for President he need not demean himself or compromise himself in any way but can find the money it takes to make an honest presentation of the issues to the people of this country.

If we simply eliminated this separate form where you mark down one party or the other and simply had just one little box there where you could mark it, let's say, yes or no, where you just mark it in one spot on the tax return, yes, I do favor the use of one dollar of my tax money to finance the Presidential campaign on a nonpartisan basis.

Is there any reason why that couldn't be on the long form and the short form rather than a separate form to be inserted?

Mr. ALEXANDER. There is no reason why a simple checkoff couldn't be on the long form and short form.

The CHAIRMAN. You would simply have the question where you mark it  $\times$  in the box without having to select a party, just leaving off the thing about the Democrats or Republicans.

Mr. ALEXANDER. [Nods.]

The CHAIRMAN. I see you are nodding your head. As you know, as a good lawyer, that does not go in the record. Would you mind saying yes or no?

Mr. ALEXANDER. I would be glad to. Let the record show that I was nodding my head up and down, which means yes.

I want to go on further and state that if there were not a party designation, if there were a simple yes or no, that could go and should go on the first page of the return. We would still have a problem, which we are undertaking to cope with in convincing taxpayers that the designation does not mean that they have to pay any more tax or that their refund is reduced. Now that is a problem of taxpayer education and we will devote every effort we can to that next year.

The CHAIRMAN. Why couldn't we simply have a few words on the tax form in parenthesis or brackets, making it clear that marking yes or no neither increases nor reduces your tax liability.

Mr. ALEXANDER. I have thought up some rather short language; I am thinking about putting this in in red ink. On the other hand, that might be inappropriate. Maybe we should put it in in bright blue ink to make it clear to the taxpayers on the return, in the instructions, and orally, that in no way does this cost them anything. The exercise of their right to check off results in no cost whatever to them.

The CHAIRMAN. Then can we expect, Mr. Alexander, that if you are confirmed in this position, you would be willing to help us as best you know how to achieve our objective, if that is what the Congress wants to do?

Mr. ALEXANDER. I will.

The CHAIRMAN. Thank you very much.

I would like to ask a couple of other things that are more or less for the record.

In your selection for Commissioner, has there been any influence, direct or indirect, that you would take direction from anyone in the executive department other than the Secretary of the Treasury or the Deputy Secretary of the Treasury?

Mr. ALEXANDER. There is not. I report to the Deputy Secretary of the Treasury and to the Secretary of the Treasury.

The CHAIRMAN. Fine. That is what I thought your answer would be, but I am pleased to have it on the record.

From time to time cases have been presented to us where it looks like the taxpayer has not been treated properly in the administration of the tax laws. Do you see anything improper in cases of this type in our asking the staff of the Joint Committee on Internal Revenue and Taxation to take these cases up with you or your staff?

Mr. ALEXANDER. I wish that cases like this would be brought to my attention and the attention of my staff by the joint committee. We would like to know about them.

The CHAIRMAN. I am happy to hear you say that. I don't want, as a Senator, to be in the position of saying that a taxpayer, be he a constituent or prominent person or a person not very prominent, is entitled to certain treatment by Internal Revenue but I do think that our staff has been very nonpolitical—completely impartial—in looking at these things. Frankly, I think they are a very good buffer for members of this committee and others when a taxpayer thinks he is not being treated fairly and he is entitled to an adjustment of the law or something else.

I really haven't found that the joint committee, Mr. Woodworth and his people are reluctant to tell you if our constituents are wrong and so advise them.

The Service has had problems lately with tax return preparers. Some people have suggested that they be licensed. It seems to me it might be better for those who prepare the return of others for money to submit a list of returns that they have prepared. The Service could then examine these returns and see whether the tax return preparer was improperly stating certain kinds of deductions. Do you think something along this line might be a good idea?

Mr. ALEXANDER. Something along that line would be a good idea, Senator. This is somewhat along the lines of what the Secretary proposed with the Ways and Means Committee on April 30 with respect to tax return preparer legislation. We need to have a way of knowing who prepared what returns. We need to have a way of insisting that those unethical preparers, of which we have a few, find that being unethical does not pay.

The CHAIRMAN. It seems to me that you might approach it along the old rule that every dog is entitled to one bite. You recall how that rule got started in the law? It is based on the theory if you had a dog and the dog had never bitten anything, you could not be held liable because you did not know that was a dangerous dog. But once a dog had attacked someone and bitten someone, you knew that was a dangerous dog and you were liable in the event that you failed to keep him on a leash or pen him up.

From that came the expression, "Every dog is entitled to one bite." It seems to me as though you might proceed on that basis with these tax return preparers. A fellow could hang himself a shingle out and say he is available to help prepare your tax return. When you find he is cheating the Government or doing a very poor, miserable job and not competent to advise anybody, or in the alternative advise him to do something wrong, you could simply say he is no longer permitted to do that. That sort of approach should be taken. If you use that ap-

proach, you would simply see if these people are doing a decent job, and if not, you could deny them the right to prepare returns for others.

Mr. ALEXANDER. Right.

The CHAIRMAN. Well, thanks very much. That is all the questions I have in mind unless someone else cares to ask some questions.

We appreciate your appearance here today and when we hold our executive meeting we will have the opportunity to act on your nomination.

Thank you so much for appearing here.

Mr. ALEXANDER. Thank you, Mr. Chairman.

The CHAIRMAN. I would next call Mr. Edward C. Schmults, of New York to be General Counsel for the Department of the Treasury, succeeding Samuel R. Pierce, Jr., resigned.

[The biographical sketch of Mr. Schmults follows:]

Name.—Edward Charles Schmults; age—42, height—6'8", weight—190 lbs. Address and telephone number.—Residence—9 Turner Drive, Chappaqua, New York 10614. 914—866-2087; business—14 Wall Street, New York, New York 10005. 212—RE2-1040.

Date and place of birth and parents.—February 6, 1931, Paterson, New Jersey, Edward M. and Mildred E. Schmults, both living and residing in Ridgewood, New Jersey.

Family.—Wife—Diane Beers Schmults, Wellesley College, BA 1958; children—Alison Creighton, age 12; Edward Martin, age 10; and Robert Clayton, age 4. Church—St. Marks Episcopal, Mt. Kisco, New York.

Education.—Public Schools—Ridgewood, New Jersey; Yale University, B.S. 1958; Harvard Law School, LL.B. 1958 cum Laude. (School activities—have not been listed but will be furnished upon request).

Military service.—Officer, United States Marine Corps.; two years active duty (1953-1955) in United States and Japan as a 2nd Lieutenant and 1st Lieutenant (002701); ranked second in a class of 634 Marine Lieutenants at a 5 month officers basic infantry school; discharged from Reserves as a Captain in 1962.

Occupation.—Partner, White & Case, a law firm of 105 lawyers with offices in New York, Paris, Brussels and London. Joined White & Case upon graduation from Law School in 1958 and became a partner July 1, 1965. Specialize in corporate and securities law.

Other activities.—Director of Holly Sugar Corporation, a company listed on New York Stock Exchange with sales of \$80,000,000. Lecturer at Practising Law Institute on Business Acquisitions and Securities Laws. Author of chapters appearing in five books entitled "Advising the Small Business Source Book", "Mergers and Acquisitions" and "First, Second and Third Annual Institutes on Securities Regulation", all published by the Practising Law Institute. Co-Author of two articles in *The Business Lawyer*. Member of American Bar Association; Association of the Bar of the City of New York (and former member of its Committees on Securities Regulation and Lawyers Recruitment); The Downtown Association (New York City); and the Sakonnet Golf Club (Little Compton, Rhode Island).

**STATEMENT OF EDWARD C. SCHMULTS, OF NEW YORK, TO BE  
GENERAL COUNSEL FOR THE DEPARTMENT OF THE TREASURY,  
VICE SAMUEL R. PIERCE, JR., RESIGNED**

Mr. SCHMULTS. Good morning.

The CHAIRMAN. Mr. Schmults, have you read the conflict of interest statutes and are you satisfied that there is nothing in your past or present which could be construed as a conflict of interest with the job you are designated to fill?

Mr. SCHMULTS. Yes, sir.

The CHAIRMAN. In the past the General Accounting Office, which is an arm of the Congress, has sought to get information on Treasury Department administration of the statutes concerning the countervailing duty. The Treasury has refused to provide information to the Congress and its agents who I feel have a right to know how the Executive is administering the laws we have passed.

I wish you would review the Treasury attitude on providing the GAO with information on matters in which they have a legitimate interest. Have you had occasion to think about that matter?

Mr. SCHMULTS. No, sir, I am not familiar with that matter, but I would be happy to review it.

The CHAIRMAN. I wish you would look into it and advise the committee what your thoughts on the matter might be. It seems to me that they do have a function trying to help us find certain information and you should cooperate with us where you can.

Senator BENNETT. I have one technical question, again for the record.

Will you be in charge of the legal aspects of phase III wage and price controls?

Mr. SCHMULTS. Senator Bennett, I am not sure of that. I will be responsible, as the General Counsel of the Treasury Department, to the Secretary of the Treasury for all legal activities of the Treasury Department. I believe phase III is the responsibility of the Cost of Living Counsel and Professor Dunlop's group, and I am not sure just how my responsibilities will dovetail with those of lawyers for the Council.

Senator BENNETT. The Secretary has not indicated to you the extent to which you may become involved?

Mr. SCHMULTS. No, sir, he has not.

Senator BENNETT. Have you by your own study anticipated any particular legal issues that you can see growing out of phase III?

Mr. SCHMULTS. No; I am not aware at the time of any particular legal issues growing out of phase III. I am familiar with phases I, II, and III, but I have not studied phase III in detail.

Senator BENNETT. Thank you.

I have no other questions.

The CHAIRMAN. Senator Fannin.

Senator FANNIN. Thank you, Mr. Chairman.

Dumping is one of the most harmful trade practices to American industry. Where the United States sold a product below cost it would constitute a serious violation of our antitrust laws and it might be subject to treble damage suits, but a foreign producer who sells below cost could get away scot-free the way the Treasury administers the Anti-Dumping Act. Why should we apply a double standard to below sales cost? In other words, apply one regulation to a domestic producer and another to a foreign producer?

Mr. SCHMULTS. Senator Fannin, it is my understanding that certain aspects of the antidumping and countervailing duties laws are the subject of the administration's new trade proposals and that they will be studied in that regard. Perhaps the question which you have raised can also be studied in that connection. I am not familiar with the double standard as such.

In my private practice, I have not been engaged in antidumping work and I am not familiar with that statute other than generally how it operates.

Senator FANNIN. Well, I trust that you will look into it.

Mr. SCHMULTS. Yes, sir.

Senator FANNIN. From a personal observation, from reports, this is the way in which the Treasury has handled the matter. I know I introduced legislation to bring the foreign corporations under the anti-trust provisions of our laws and this was opposed as I understand by Treasury, and I am very sorry to say that I did not get the legislation through.

I think this is a serious matter because we do have a threatening increase in the imbalance of trade and with the oil imports and other imports that are implicated it could be a serious threat to our economy, and I trust that you will go into this very thoroughly because it is going to be a matter of vital importance to the future trade relationships of our Nation and, of course, of vital importance to the value of the dollar.

So I trust that you will look into it and I hope to talk to you further about that matter.

Mr. SCHMULTS. Yes, sir.

Senator FANNIN. Thank you.

Senator PACKWOOD. No questions.

The CHAIRMAN. Thank you very much.

Mr. SCHMULTS. Thank you.

The CHAIRMAN. I don't believe we are going to complete the hearing on Mr. Sonnenfeldt this morning because I am led to believe there will be adverse testimony, but I think that we can perhaps conclude this matter today. I would suggest that we embark on it and that at 10 o'clock we go on to the social services hearing which had been previously scheduled. We will then try to conclude the hearing with regard to Mr. Sonnenfeldt at some point before the day is out. I think it is the kind of thing that would be best not to carry over for a future day if we can avoid it.

Mr. Sonnenfeldt, we have a background statement with regard to your qualification for the position for which you have been nominated. I will ask that that appear in the record at this point.

[The biographical sketch of Mr. Sonnenfeldt follows:]

Mr. Sonnenfeldt is the Senior Staff Member dealing with Europe and East-West relations on the National Security Council Staff in the White House. He was assigned to this position in January 1969.

Mr. Sonnenfeldt was born in Germany and received his early education there and in England, where he also attended the University of Manchester.

He came to the United States in 1944 and served in the US Army in the Pacific and European Theaters as a member of the counter-intelligence corps.

Mr. Sonnenfeldt continued his education at Johns Hopkins University in Baltimore and at that University's School of Advanced International Studies in Washington. He has AB and MA degrees in Political Science from Johns Hopkins (1950, 1951).

He was in the Department of State from 1952-1969 (having briefly worked there for a year immediately after the war). His specialty is Soviet and East European affairs. He was Director of the Office of Research and Analysis for the USSR and Eastern Europe in the Department from 1966-1969. In 1960-1961 he served as a policy officer in the then newly established US Disarmament Administration (now the Arms Control and Disarmament Agency). He has served on



US Delegations to numerous NATO meetings and to conferences with the Soviet Government in London, Geneva, Washington, Moscow and New York.

Mr. Sonnenfeldt was the National Security Council staff representative on missions to the USSR of former Secretaries of Commerce Stans and Peterson and of Secretary of the Treasury Shultz. He participated in the negotiation of the various agreements on economic relations with the USSR that were signed in Washington in October, 1972.

Mr. Sonnenfeldt accompanied the President on his three European trips in 1960-1970, to meetings with European and Canadian leaders in 1971 and to the Moscow summit in May 1972. He has also been on Dr. Kissinger's missions to the USSR in April and September 1972 and in May 1973.

Mr. Sonnenfeldt has been on the faculty of the Johns Hopkins University School of Advanced International Studies as a Lecturer on Soviet Affairs and before going to the White House was a research consultant of that School's Washington Center for Foreign Policy Research.

He has been President of the SAIS Alumni Association and was editor of the SAIS Review and later a member of its editorial committee. He has been associated with the Russian Institute at Columbia University as a Senior Fellow.

Mr. Sonnenfeldt is a member of the Council on Foreign Relations, the International Institute of Strategic Studies (London), the Harvard-MIT Arms Control Seminar, and of various other professional associations in the field of political science and Soviet studies.

Mr. Sonnenfeldt is married to the former Marjorie Hecht of Baltimore, Maryland, and has three children.

**STATEMENT OF HELMUT SONNENFELDT, OF MARYLAND, NOMINEE  
TO BE UNDER SECRETARY OF THE TREASURY, VICE EDWIN S.  
COHEN, RESIGNED**

The CHAIRMAN. I assume that you have filed a statement of your financial interests with the committee? Have you read the conflict-of-interest laws and are you satisfied that there is nothing in your holdings which could be construed of conflict of interest with your responsibilities?

Mr. SONNENFELDT. I have, sir, and I have filed a statement sir.

The CHAIRMAN. Can you describe what your areas of responsibility have been with the National Security Council?

Mr. SONNENFELDT. Mr. Chairman, my responsibilities there have been to handle our relations with Europe and East-West relations, Soviet Union, Eastern Europe and certain arms control matters as an assistant to Dr. Kissinger.

The CHAIRMAN. Can you describe the role of the Under Secretary of the Treasury and what the areas of responsibility are that you will have?

Mr. SONNENFELDT. Mr. Chairman, this is not a new position itself but my nomination to it is intended to give that position a competence in international economic affairs with which the Department of the Treasury, Secretary of the Treasury, is charged. I will be concentrating particularly on the aspects that deal with East-West economic relations as they stem from last year's agreements with the Soviet Union and other East European countries.

The CHAIRMAN. I know that you are aware of the fact that there has been some derogatory information about you circulated, and I mentioned this matter to you when I happened to have occasion to meet you in my office. I felt that it would be the duty of this committee to clear this matter up at least to the best of its ability to satisfy

itself that it knew everything that was pertinent to the matter so that your confirmation would mean that this committee was not impressed by that information. We haven't heard the information up to this point, but we are going to undertake to look into the matter and I think in fairness to you it would be appropriate for you to explain to the committee, to the best of your ability, what you understand that to be about and what your position is with regard to it.

Mr. SONNENFELDT. Well, Mr. Chairman, referring to our—

The CHAIRMAN. You know what I am speaking of? I believe it has to do with an allegation that you gave information to a representative of a foreign government, which information and transmittal was not authorized?

Mr. SONNENFELDT. There was such an allegation in the late 1950's during the Eisenhower administration when I served in the Department of State. That allegation was at that time looked into in great detail. I was interrogated about it and I was subsequently informed both in the Eisenhower administration and when it was again looked into in the early part of the Kennedy administration that the allegations had been found to be inaccurate.

I myself pointed out that there was this matter in my file when I was assigned to the White House in 1969 to be sure that there would be no embarrassment about that and I believe it was looked into again at that time and, of course, I have remained on the White House staff in a sensitive position since that time. So that all I can say about it is that I was aware that the allegations were made, I submitted myself to a complete investigation of them, cooperated with the security officials, the security procedures of the Government at that time, and subsequently, and as far as I know, the allegations were found to be totally inaccurate, as indeed they are.

The CHAIRMAN. Was there any substance or basis for the allegation? Was there some sort of transaction or series of events that took place which might have provided at least some support or some basis to form an accusation?

Mr. SONNENFELDT. There was no substance, no basis to it whatsoever, and I have never been able to discover what led to the allegation.

The CHAIRMAN. Do I understand that subsequent to this matter being alleged, it was investigated when you were recommended for a position that required high-security clearance with the Government? This matter was investigated by the security branch?

Mr. SONNENFELDT. I can only state an assumption because I obviously didn't conduct the investigation. But my assumption would be that as I advanced in the Department of State to positions of higher responsibility involving sensitive security clearances, then subsequently to the White House to a position of even greater sensitivity, that these matters were looked into. If so, I was not further questioned about it but it would be my assumption this would have been done in the normal course of events. And as I indicated earlier, I myself raised the matter before I went to the White House to be sure that everyone there was fully aware that this matter had come up some 10 years earlier and I wanted to be sure that everyone was clear about it and that there was no lingering suspicion that derived from those allegations. So I can only state an assumption and that is that the matter was

looked into several times and that in each case the allegations were found to be untrue.

The CHAIRMAN. I was also led to believe that information regarding this allegation had been subsequently removed from your personnel file. Is that correct or not?

Mr. SONNENFELDT. That, sir, I wouldn't know, I have never seen my security file.

Senator BENNETT. I have no question in that field. I think looking at the clock, we should begin questioning.

The CHAIRMAN. I think it might be well for us to hear Mr. Hemenway. Is he here?

Mr. HEMENWAY. Yes, sir.

The CHAIRMAN. Well, then I would like to ask you to excuse yourself. I would like to call Mr. Hemenway and let him testify what he knows about this subject and then I will offer you the opportunity to respond to it.

#### STATEMENT OF JOHN D. HEMENWAY

Mr. Hemenway, I understand you do have information, a statement bearing on the qualifications. It might be best, Mr. Hemenway, if you would summarize your statement and at 10 o'clock or shortly after 10 o'clock we are going to turn to another hearing and we will come back to this matter, I hope, before the day is out.

Do you live here in the District?

Mr. HEMENWAY. Yes, sir, I live, as it says in my written statement, at 4816 Rodman Street NW.

The CHAIRMAN. Well—

Mr. HEMENWAY. I would be prepared to come back at your convenience.

The CHAIRMAN. I would suggest that you summarize this statement in 10 minutes, if you can, and at that point we will study this matter between now and the time we come back later on in the day and the members can interrogate you about this matter at that time.

Mr. HEMENWAY. I will try to do it in 10 minutes.

Since you have my statement in front of you, that might facilitate my summarization.

As you recall, Mr. Chairman, I wrote to each member of this committee on April 12 or soon thereafter, that Mr. Sonnenfeldt is unfit for the high office to which he has been nominated. I enclosed with that letter a sworn affidavit by Mr. Otto Otepka and some material put into the Congressional Record on the matter largely confined to career principles submitted by Senator Thurmond.

Now, the materials I am going to give you today can be summarized in four categories: (1) That Mr. Sonnenfeldt's professional judgment is faulty; (2) that Mr. Sonnenfeldt's personal standards of integrity are unacceptably low; (3) that Mr. Sonnenfeldt has repeatedly performed acts that violated his oath of office. That is, in addition to the incidents that Mr. Sonnenfeldt just mentioned to you this morning. And, (4) that Mr. Sonnenfeldt's confirmation will place your committee, Mr. Chairman, in the position of seeming [at least to civil servants] to condone illegal acts in violation of the standards of conduct for the Federal service that has been set by the Congress itself.

Now, I want to say as an individual I am not an investigator, I am not qualified really to look into Mr. Sonnenfeldt's record, which I have never myself seen. All I have done today is to try to pull together some materials that have come to my attention over the years.

The reason I have taken a rather personal interest in Mr. Sonnenfeldt is that I have pursued the first grievance hearing in the history of the State Department. In effect, in September 1972, that hearing vindicated me by recommending my reinstatement and apology from the State Department. In the course of that hearing, I had to examine written statements submitted to the Secretary of State which contained 140 untrue or false statements.

Now, one of those statements was either introduced by Mr. Sonnenfeldt or two Ambassadors falsely citing Mr. Sonnenfeldt. The chronology of that matter is this. At one point in my Federal service history I worked for Mr. Sonnenfeldt.

On June 15, 1965, just to cite one of several reports. Mr. Sonnenfeldt wrote on me, he wrote Hemenway has uncommon potential for rising to the very top of the Foreign Service. In other similar written reports Sonnenfeldt generally praised my work.

On January 14, 1969, 4 years later, two Ambassadors, operating for Secretary of State Rusk, wrote that Sonnenfeldt had told them that—he did not regard Hemenway's performance as satisfactory—and on October 7, 1971, under oath, one of those Ambassadors reaffirmed that that was in fact what Sonnenfeldt said.

Now, when I talked to Mr. Sonnenfeldt over the phone about this he didn't have any recollection of the event. He wrote me a letter in which he said—this is cited in tab No. 2—"I am unable to make a specific statement concerning the accuracy of what is attributed to me in the testimony and in the brief written text you sent me because I simply cannot recall the specific contents of my conversation with Ambassador Parsons and Ambassador Penfield. This conversation took place almost 3 years ago and I kept no record of it."

Now, Mr. Sonnenfeldt's plea, I submit to you, Mr. Chairman, is hardly credible. He is known to have an excellent memory. Moreover, it is not an everyday occurrence to have two Ambassadors call upon you in behalf of the Secretary of State in a report that leads to the first grievance hearing in the Department of State history. If you do not make a few notes afterward, after such a conversation, you probably have made a mistake in judgment. I hope Mr. Sonnenfeldt doesn't make these mistakes often. In any event, if Sonnenfeldt really did not take notes and really cannot recall the episode, surely such faulty powers of recollection should be weighed by your committee.

Frankly, the one thing that disturbs me today is that I know I am the only witness here today opposing this nomination. The materials I am going to present to you now must have been known to countless officials in the Government charged with the responsibility of Mr. Sonnenfeldt's suitability for his office. I think it is interesting that a person in my category with, as I have just told you, a rather personal interest in Mr. Sonnenfeldt, has to come before this committee and lay these matters out. I do it in the spirit of Mr. Alexander Hamilton's comment on the powers of confirmation in the Senate. (Federalist Papers No. LXXVI.) How can this committee without knowledge of the facts make an intelligent constitutional decision?

So in that spirit I would like to make the following comments. I am prepared to repeat anything that you read in this material under oath. Mr. Otto Otepka is present in the hearing room this morning. Would you stand up, Mr. Otepka?

Thank you very much.

To the extent that confirmation or further inquiry is necessary, Mr. Otepka no doubt could answer some questions that I could not. I have alluded earlier to the fact that the man before you today for confirmation was the beneficiary of a massive coverup in the executive branch of Government. I enclose at tab 3(b) in my statement materials from the Congressional Record of September 24, 1970, page E8674.

Let me cite this one paragraph:

Upon his shoulders also must rest the responsibility for having Helmut Sonnenfeldt moved into a highly sensitive position on Henry A. Kissinger's staff in the National Security Council. It was during Rogers' tenure of office in the U.S. Department of Justice that Sonnenfeldt was in "very serious trouble" because of alleged "leaks of top secret" classified information to foreign agents with whom he had frequent and close associations. An intense FBI investigation resulted in discussions about prosecution. No such prosecution ever took place because the State Department held that it was "not in the interest of the U.S. Government" to have the secrets involved become public knowledge. Rogers agreed not to prosecute and Sonnenfeldt was saved from conviction under the espionage statute.

The CHAIRMAN. Where is that quote?

Mr. HEMENWAY. Page 4 of my written submission and it is tab 3(b), the full verbatim text of that material.

The CHAIRMAN. You are quoting a statement that someone made in the Congressional Record?

Mr. HEMENWAY. Yes, sir. I do not know the substance of my own personal knowledge.

The CHAIRMAN. What Senator made that statement?

Mr. HEMENWAY. I would have to turn to the tab myself which I don't have at my side here. I think it was Congressman Rarick.

Senator BENNETT. Was this a part of the statement that Senator Thurmond made?

Mr. HEMENWAY. No, sir, it is not.

The CHAIRMAN. We will find it.

Mr. HEMENWAY. It is a statement, I think, submitted by Congressman Rarick.

The CHAIRMAN. I say regretfully, and I am not judging this particular matter, that not everything that appears in the Congressional Record is correct.

Mr. HEMENWAY. I am quite aware of that, yes, sir. However, it is a matter of public record and in the same spirit with which you opened this meeting, it is something that ought to be laid to rest. It is capable of proof and it either is true or it is not true.

The CHAIRMAN. I am confident whoever put it there thought it was true, otherwise he wouldn't have put it there.

Mr. HEMENWAY. That is correct.

The CHAIRMAN. Would you mind reading that statement. You started to read it.

Mr. HEMENWAY. I didn't want to unduly extend.

No such prosecution ever took place because the State Department held that it was not in the interest of the U.S. Government to have the secrets involved become public knowledge. Rogers agreed not to prosecute and Sonnenfeldt was saved from conviction under the espionage statute.

Now, Mr. Chairman, from my perspective and the facts available to me there is a serious and evident anomaly of Mr. Rogers as Attorney General under Eisenhower not prosecuting Mr. Sonnenfeldt because, once again under Mr. Rogers, but this time as Secretary of State, Mr. Sonnenfeldt is brought into the highest level of the career Diplomatic Service without ever having served abroad in that Diplomatic Service. The fact that Mr. Sonnenfeldt was fraudulently entered in the role of the Diplomatic Service is discussed in my prepared statement. It seems evident derogatory material about him was removed from his file so a three-man board would not hesitate to rubber stamp his lateral appointment.

Let me be quite specific regarding the nature of this derogatory information. It is spelled out in my written submission.

1. You already have the sworn statement of Mr. Otepka dated January 25, 1973, long before Mr. Sonnenfeldt was nominated for this post (table 1(c)).

Now, that refers to material, I believe, Mr. Chairman, that was not mentioned by Mr. Sonnenfeldt.

2. From State Department security sources, it can be established that Mr. Sonnenfeldt lied when interrogated about his improper activities.

And I submit that if Mr. Kissinger can have wiretap information made available to him, Mr. Chairman, maybe this committee ought to be able to have access to the same material.

3. Mr. Frank Niland, an employee of the Department of Justice, can provide information on the personal surveillance of Mr. Sonnenfeldt which was maintained for over 1 year. This was not the FBI of Mr. Gray, it was the FBI of Mr. Hoover.

4. Mr. Stephen Koczak, formerly an employee of the Department of State Bureau of Intelligence and Research and a career U.S. diplomat, personally witnessed improper and illegal transfer of information from Mr. Sonnenfeldt to unauthorized foreign nationals. He lives in Washington, D.C., at 2932 Macomb Street NW. I personally know that Mr. Koczak can name and identify the individual who was the top liaison officer between the FBI and the CIA who investigated Mr. Sonnenfeldt. I also understand that this individual expressed the concern of both agencies about Mr. Sonnenfeldt's activities; that is, that the FBI and the CIA were concerned about his abuse of sensitive materials.

5. Miss Delores Wahl personally told me on February 26, 1964, the following: "Hal [Sonnenfeldt] was abusing our special material last December [1963], and I had a fight with him about it." Miss Wahl is an employee of the Department of State having responsibility for materials of a particular sensitivity. (From document M-6 of the Hemenway hearing, Department of State.)

Now, in the light of the material cited from the Congressional Record and the witnesses and information I have just given you, I submit, Mr. Chairman, that all of these facts are easily verifiable. They should have investigated but, nevertheless, Mr. Sonnenfeldt was

brought into the diplomatic service laterally improperly in a manner I will get to in a moment.

Senator Thurmond addressed himself to that issue. Mr. Willard Edwards has addressed himself to some of the policy judgments of Mr. Sonnenfeldt. That is tab 4.

I want this committee to know that in December 1971, I invited Mr. Sonnenfeldt either to refute the statements attributed to him in the report about me or to testify at a hearing under oath. Soon thereafter my own office was subject of an inquiry made by Mr. Henry Kissinger's office.

I was told by a high Defense Department official that Dr. Kissinger was "climbing up the molding," over the prospect of an attack on Sonnenfeldt.

I am convinced that my request of Mr. Sonnenfeldt alerting him to the possibility of being called as a witness under oath was regarded as an attack, which it was not, of course, unless he had done something wrong. Mr. Sonnenfeldt's name finally was listed along with 30 or so others in an "Offer of Proof" dated January 24, 1972, which outlined what could be proved should the list of witnesses be called. However, Dr. Kissinger's office aggressively alleged to the Pentagon that I had improperly informed a prominent newsman and two Congressmen concerning a highly controversial policy decision made by Sonnenfeldt 6 months earlier. Specifically, in the name of the White House, Sonnenfeldt had taken action to deny U.S. asylum to a Polish defector. Ironically, Sonnenfeldt, who was born in Germany and himself had to flee from Hitler, issued the order for denying U.S. sanctuary to another refugee seeking the same freedom and protection. I believe that the decision was not only morally wrong, it was a policy error. Of course, the error carried with it possible terrible consequences to the individual denied sanctuary.

Now, Mr. Chairman, I said that Mr. Sonnenfeldt was fraudulently admitted into the Foreign Service.

The three-man panel which examined Helmut Sonnenfeldt's qualifications to enter the Foreign Service as an FSO (he was finally nominated March 11, 1970), consisted of Margaret Joy Tibbits, Howard L. Parsons, and Alan Fidel. Those three examining officers were offered files said to contain Mr. Sonnenfeldt's (1) medical records, (2) performance records, and, (3) security records.

All of the written records were highly commendatory and favorable to Sonnenfeldt, who was also found by the panel to be highly articulate and who made a good impression. The panel found no adverse security information in the files whatsoever. This is virtual proof that the file had been "sanitized" or, if you prefer, "rigged." A "clean" file was impossible. There would at least have been (1) allegations; (2) the refutation of those allegations; and (3) the analysis (that is, that it didn't amount to a hill of beans or there was something in it). Instead, there was nothing there. In this connection, I note that on February 1969 (and I, too, Mr. Chairman, don't believe everything I read in print), the Government Employees' Exchange reported the disappearance of classified information from Sonnenfeldt's security file. I do not know how that newspaper got such information a year ahead of the events I cite above. The editor, Mr. Sid Goldberg is available for testimony, if summoned.

The work of this committee is not related to a larger manifestation of difficulty within the Foreign Service and the Diplomatic Service. I know your committee is so busy with the complex tangles of the financial world that you probably cannot follow the intricacies of personnel actions in the Department of State, but it is a fact that Mr. Elliot Richardson, who was Mr. Macomber's immediate superior during the first years of the Nixon administration, has been selected to play a major role in the Watergate illegalities. It also is a fact that Mr. Macomber's name has now been mentioned in that connection.

You probably read tabs (a) and (b) yourself in the papers, citing Mr. Macomber's release of certain telegrams. One doesn't know if Mr. Macomber's action was proper or improper at this stage of the evidence. Both Mr. Macomber and Mr. Richardson played key roles in the unusual transfer of Mr. Sonnenfeldt from the Civil Service into the Foreign Service in the high grade of FSO-1. This was done after Sonnenfeldt was already working for Mr. Kissinger as part of the staff of the National Security Council (NSC). It was clear then and it is even more clear now that, if confirmed, there is no intention of sending Mr. Sonnenfeldt overseas on assignment. It is also clear that, to become an FSO, Mr. Sonnenfeldt had to receive special favors and consideration under the law—even if the laws were not violated, which I believe was the case. As a minimum, documents were removed from the Sonnenfeldt file so the three-man panel could, with a "clean" conscience, vote for his admission to FSO ranks. It was a fraudulent operation; however, it carried with it greatly increased emoluments for Mr. Sonnenfeldt personally.

I know the man a little better; we worked together in the same office for a couple of years some years ago. I am aware of no practical background or educational experience possessed by Mr. Sonnenfeldt that uniquely qualifies him for this position with the Treasury Department, but I do know in the more than a quarter of a century I worked for the Government that there is a code of ethics in Government service and that any person in position in the Government is obliged to uphold the Constitution, the laws, and the legal regulations of the United States and never be a party to their evasion. He is to expose corruption wherever discovered. You will recall that is a concurrent resolution of the second session of the 85th Congress, a concurrent resolution which I believe is still valid.

Mr. Chairman, from my viewpoint, when I looked at the record, the public record, of Mr. Sonnenfeldt, it indicates a pattern of violation of the oath of office and the trust of his office. The record indicates that Mr. Sonnenfeldt is not worthy of the trust of this office you are asked to bestow upon him. I believe the record indicates that Mr. Sonnenfeldt should not be confirmed by the Senate as Deputy Secretary of the U.S. Treasury.

That is a 10-minute summation of my prepared statement.

The CHAIRMAN. Mr. Hemenway, are you presently with the Government or have you retired?

Mr. HEMENWAY. I have submitted papers for my retirement.

Mr. Chairman, I am not on the rolls of the U.S. Government at the present time.

The CHAIRMAN. You are not on the rolls?



Mr. HEMENWAY. No sir; and I have submitted an application for retirement. I guess I am not technically retired.

The CHAIRMAN. Was that entirely voluntary on your part?

Mr. HEMENWAY. No sir; I was fired not once but twice, fired by the State Department, restored, at least I think I should have been, by the order of the Hearing Committee, the first in the Department of State's history. Reinstatement, promotion, payment of legal fees, a formal apology was recommended by this committee. It was set aside by one man, an interested party. We will have litigation on that matter. In the intervening 3 years I was the personal assistant of Dr. Warren Nutter in the Department of Defense. Dr. Warren Nutter has left his position. When he left I was forced to leave.

The CHAIRMAN. I simply want to get this matter straight.

Mr. HEMENWAY. I have no personal animosity against Mr. Sonnenfeldt.

The CHAIRMAN. But you have made a statement here which would indicate that you have a bias. I think you should frankly admit it. As a lawyer judging the testimony, I am constrained to take the view that you do have a strong feeling in the matter.

Mr. HEMENWAY. That is certainly correct.

The CHAIRMAN. That is, you certainly could be accused of having a bias against Mr. Sonnenfeldt. The question is: Is what you are saying correct?

Now, I recall an occasion where I was making an argument on a particular matter, and I knew I would be accused of a bias myself. I made the point that I was as biased in that matter as any lawyer who ever pled a case, but all I wanted was for the judge to hear my evidence and give me a fair verdict and I would think we should look upon your testimony in that light. Obviously, you feel that Mr. Sonnenfeldt did not conduct himself properly and honorably with regard to your personal history but you do have some knowledge of his personal history and the question is whether what you have said here today about Mr. Sonnenfeldt is correct. I will endeavor, insofar as I am capable of doing so, to get to the bottom of this matter and find out whether there is support for this or not. I think Mr. Sonnenfeldt is entitled to be fairly judged just as I am sure that you wanted a fair judgment when you had to take a case before the grievance committee.

Mr. HEMENWAY. I agree, absolutely, with your position. My only role here, whether you believe there is onus or bias or not, is to see to it that you have the facts made available that argue against the confirmation. I think your committee must have all of the facts in order to intelligently reach conclusions.

The CHAIRMAN. Thank you very much for your statement, Mr. Hemenway.

Mr. HEMENWAY. Do you need my presence this afternoon?

The CHAIRMAN. Well, if you can be available to us, we would appreciate it. I would think that we could return to this matter when we have concluded the social services hearing which we have scheduled prior to this. I should think that if you are here at 3 o'clock, we would probably be in a position to ask some questions about this matter at that time.

Can you be here at 3 o'clock?

Mr. HEMENWAY. Yes sir, I will be here.

[Mr. Hemenway's prepared statement with attachments follow. Oral testimony continues on page 49.]

Mr. Chairman and members of the Senate Finance Committee, thank you for allowing me to address you today in the matter of the confirmation of Mr. Helmut Sonnenfeldt, to be Deputy Secretary of the Treasury. Mr. Sonnenfeldt has long been associated with the Department of State intelligence bureaucracy and the National Security Council under Dr. Henry A. Kissinger.

As I wrote to each member of this Committee on April 12, Mr. Sonnenfeldt is unfit for the high office for which he has been nominated and not worthy of the trust it represents. In the letter sent to you, I enclosed a sworn affidavit by Mr. Otto Otepka and some material placed into the Congressional record several years ago concerning Mr. Sonnenfeldt by your colleague in the Senate, Senator Thurmond of South Carolina. This material is at TAB No. 1, for your convenience.

The letter cited above indicated that abundant evidence is available to show that Mr. Sonnenfeldt is unfit for this high office and not worthy of the trust. In order to progress systematically through the evidence known to me, I shall provide you with materials this morning establishing that:

- (1) Mr. Sonnenfeldt's professional judgement is faulty;
- (2) Mr. Sonnenfeldt's personal standards of integrity are unacceptably low;
- (3) Mr. Sonnenfeldt repeatedly has performed acts that violated his oath of office;
- (4) Mr. Sonnenfeldt's confirmation will place your Committee, Mr. Chairman, in the position of seeming to condone illegal acts and violations of standards of conduct for Federal Service set by the Congress itself.

#### PERSONAL KNOWLEDGE ABOUT SONNENFELDT

As an individual I am neither an investigator, nor am I uniquely qualified to sift out all of the material available concerning Mr. Sonnenfeldt. Today, for the use of your Committee, Mr. Chairman, I simply have pulled together a few details that have come to my attention over the years. It is clear that the Committee needs only to express an interest to discover that the material I uncover today reveals only the tip of the iceberg.

The Committee should know that I have a personal reason for attentively studying the career record of Mr. Sonnenfeldt. After a three year battle, the first independent Grievance Hearing Committee in State Department history decided unanimously (3-0) to have the Department of State tender me an appropriate apology for events leading to my expulsion from the career diplomatic service. It was also decided to restore me to the career diplomatic service from which I had been expelled. A highly inaccurate report had been cooked up to confirm my expulsion. It contained at least 140 identifiable untrue, misleading, or slanderous statements. Sworn hearing testimony revealed that Ambassador Parsons had said of Hemenway while the report was in preparation: "... I don't believe he can be 'bought off'—he has the bit between his teeth... he goes back to the system itself, which he attacks." (That is, the foreign service system.)

One of those 140 untrue or false statements contained in the report written by Ambassadors Parsons and Penfield was introduced either by Mr. Helmut Sonnenfeldt or the two ambassadors falsely citing Mr. Sonnenfeldt. The chronology is as follows:

*June 15, 1965.*—Mr. Sonnenfeldt wrote in an official report that Mr. Hemenway "... has uncommon potential for rising to the very top of the Foreign Service." In other, similar reports Sonnenfeldt's praise of Hemenway's work is consistent.

*January 14, 1969.*—In an official report to the Secretary of State (Rusk), Amb. James K. Penfield and J. Graham Parsons write that Sonnenfeldt had told them that he "... did not regard his (Hemenway's) performance as satisfactory."

*October 7, 1971.*—Under oath, Mr. James K. Penfield stated at the Hemenway Hearing before an independent State Department Grievance Hearing Committee—the first in history—that Sonnenfeldt indeed had made the January, 1969 statement in conflict with earlier written statements cited in the Parsons/Penfield report to the Secretary of State (Rusk).

*December 11, 1971.*—In writing, Mr. Sonnenfeldt claimed not to be able to recall the event. The point at issue, of course, was whether Parsons and Penfield had reported Sonnenfeldt's comment correctly. If they had, then why would

Sonnenfeldt choose to lie about Hemenway's performance? If they had reported Sonnenfeldt's remark accurately, then the issue would be, on which occasion did Sonnenfeldt lie? Naturally, when Sonnenfeldt talked to Parsons/Penfield, he knew it was highly unlikely that Hemenway would ever be able to examine the Parsons/Penfield report, because it would be termed a confidential report written for the Secretary's (Rusk's) eyes only. The specific claim that he could not recall these events was made by Sonnenfeldt in the following manner:

" . . . I am unable to make a specific statement concerning the accuracy of what is attributed to me in the testimony and in the brief written text you sent me because I simply can not recall the specific contents of my conversation with ambassadors Parsons and Penfield. This conversation took place almost three years ago and I kept no record of it."

(Full text of Sonnenfeldt's letter to Hemenway is at *TAB No. 2*)

Mr. Sonnenfeldt's plea that he is unable to remember is hardly credible. He is known to have an excellent memory. Moreover, it is not an everyday occurrence for two ambassadors to call upon you in behalf of the Secretary of State for the purpose of preparing one-time reports concerning a man you know which, in turn, leads to the first grievance hearing in the history of the U.S. diplomatic service. If you do not make a few notes afterward, you have made a mistake in judgment. I hope Mr. Sonnenfeldt does not make these mistakes daily.

However, if Mr. Sonnenfeldt really did not take notes and really can not recall such an episode, surely such faulty powers of recollection should be weighed by your Committee, Mr. Chairman, when you consider Mr. Sonnenfeldt's capacity to perform the much more demanding duties of Deputy Secretary of the Treasury, the post for which Mr. Helmut Sonnenfeldt has been nominated.

#### FEAR—THE REASON FOR A DECADE OF SILENCE

Mr. Chairman, only one thing disturbs me about my testimony today: I am the only person testifying. The materials I shall now take up have been known to many government officials who, as part of their official duties, must judge on the suitability of persons for high posts. Where are the officials of State, Justice, Treasury, and the other Foreign Policy areas of government who are knowledgeable. Your Committee, Mr. Chairman, might want to reflect on the reasons for their not coming forward today; why you must learn of these matters first from me, a private citizen, rather than from the officials charged with enforcing standards of conduct in our government.

The checks and balances of our government require that, for effective operation, the watchdog committees of the Congress must be kept properly informed. Without accurate and complete information, cover-ups not only are possible, they are inevitable.

In testifying here today, I had to ask myself just what evidence your Committee would accept. I have not attempted to delve deeply into such foreign policy questions as Mr. Sonnenfeldt's view of the use of US credits to shore up failing communist economies; Helmut Sonnenfeldt's view of the Berlin Agreement and the impending recognition of Communist East Germany; the wheat deal; or, his own role in foreign policy questions that, over time, will greatly affect U.S. national interests. There are men more qualified to speak on Sonnenfeldt's role in those questions—but I believe that one does not have to probe into those areas about which honest men have honest differences of view. I believe that a more primitive form of evidence makes abundantly clear that Mr. Sonnenfeldt should not be confirmed today as Deputy Secretary of the Treasury.

Alexander Hamilton, in the *Federalist Papers*, foresaw the test to which the Senate would be put by the confirmation of such nominees as Mr. Sonnenfeldt. Hamilton wrote:

"The possibility of rejection would be a strong motive to care in proposing. The danger to his (the executive's) own reputation . . . he would be ashamed and afraid to bring forward for the most distinguished or lucrative stations, candidates who had no other merit than . . . of being, in some way or other, personally allied to him, or possessing the necessary insignificance and pliancy to render them the obsequious instruments of his pleasure. . . ."

(No. LXXVI of the *Federalist Papers*.)

Today I am a private citizen, but I have been an officer of the government for more than a quarter of a century. A public trust is at issue in the Sonnenfeldt nomination, which comes at a time when public confidence is needed to the effectiveness of our Constitutional mechanisms, i.e., in the efficacy of a private citizen like myself appearing before this Committee to give testimony.

In the past men like Sonnenfeldt have been proposed for offices requiring confirmation because the Senate has not been rigorously exercising the independence of view foreseen by Hamilton. It is only right and proper that your Committee has available the information it needs to perform its constitutional functions.

#### INQUIRY INTO THE SONNENFELDT RECORD

Therefore, as I deliver this material this morning, I want you to know that I am prepared to testify under oath; further, Mr. Otto Otepka is present in the Hearing Room this morning and is available, should his sworn statement raise any questions that need answers I can not myself supply. I want to make it clear that I am not a disgruntled employee venting his spleen against Helmut Sonnenfeldt. But I am proud of my country, which I know well—its strengths and its weaknesses. Among 225 million Americans, there are literally thousands of citizens better qualified by training, disposition, and background to perform the duties for which Helmut Sonnenfeldt has been nominated. Yet Helmut Sonnenfeldt's services seem to have been nearly indispensable in the Bureau of Intelligence and Research, in the Department of State; Helmut Sonnenfeldt was indispensable to the National Security Council under Mr. Henry A. Kissinger; Helmut Sonnenfeldt was so badly needed as an FSO-1, evidently, that the law had to be violated to make him a "career" diplomat; and, today, Helmut Sonnenfeldt's services as a Deputy Secretary of the Treasury again seem indispensable. Why? What of the other 225 million Americans? It is a country filled with talent. I wonder, just in passing, what is the role of William P. Rogers and Elliott Richardson in these events, not to mention William B. Macomber, Jr. and Mr. Maurice Stans, both of whom seem to be implicated in the Watergate coverup.

#### THE MASSIVE COVER-UP; TAMPERING WITH THE RECORD

The man before you today for confirmation was a very early beneficiary of a massive cover-up in the executive branch. It is a matter of public record that Mr. Sonnenfeldt was nearly prosecuted for improper activities. According to the *Congressional Record* (full text at TAB #3):

"It was during Rogers' tenure of office in the US Department of Justice that Sonnenfeldt was in 'very serious trouble' because of alleged 'leaks of top secret and secret' classified information to foreign agents with whom he had frequent and close associations. An intense FBI investigation resulted in discussions about prosecution. No such prosecution ever took place because the State Department held that it was 'not in the interest of the US government' to have the secrets involved become public knowledge. Rogers agreed not to prosecute and Sonnenfeldt was saved from conviction under the espionage statute."

(*Congressional Record*, p. E 8574, September 24, 1970.)

From my own direct personal knowledge I can not say whether the facts stated above are totally true or not. I can say that I have heard them from persons I have reason to believe are reliable and who enjoy the reputation for telling the truth and who were also in a position to know the facts.

The record should be easily obtained. (The facts cited are easily capable of being verified. Surely your Committee, Mr. Chairman, and the members of the Senate Finance Committee will want their report to the Senate to include a report on the truth of such serious allegations.)

From my perspective and the facts available to me, there is the curious and evident anomaly of Mr. Rogers, as Attorney General under President Eisenhower, not prosecuting Mr. Sonnenfeldt. Then, once again under Mr. Rogers, but this time as Secretary of State, Mr. Sonnenfeldt is brought into the highest level of the career diplomatic service without ever having served abroad in that diplomatic service. The fact that Mr. Sonnenfeldt was fraudulently entered onto the rolls of the diplomatic service is discussed below. It seems evident that derogatory

material about him was removed from his file so that a three-man Board would not hesitate to rubber-stamp his appointment.

I believe that there is abundant evidence to suggest the wisdom of rejecting this nomination. Recent events affirm that it is prudent to lay out all of the facts in the open, if only to set to rest significant and legitimate doubts. I do not personally have available all of the facts, but considerable evidence has come to my attention which supports the view that the Sonnenfeldt nomination should be rejected.

#### OTHER WITNESSES WHO CAN TESTIFY UNDER OATH OR SUBPOENA

Let me be quite specific concerning the nature of this derogatory information:

(1) You already have the sworn statement of Mr. Otepka dated 25 January 1973, long before Mr. Sonnenfeldt was nominated for this post (TAB #1(c)).

(2) From State Department security sources, it can be established that Mr. Sonnenfeldt lied when interrogated about his own improper activities.

(3) Mr. Frank Niland, an employee of the Department of Justice, can provide information on the personal surveillance of Mr. Sonnenfeldt which was maintained for over one year. This was not the FBI of Mr. Gray, it was the FBI of Mr. Hoover.

(4) Mr. Stephan Koczak, formerly an employee of the Department of State Bureau of Intelligence and Research and a career U.S. diplomat, personally witnessed improper and illegal transfer of information from Mr. Sonnenfeldt to unauthorized foreign nationals. He lives in Washington, D.C., at 2932 Macomb Street, NW. I personally know that Mr. Koczak can name and identify the individual who was the top liaison officer between the FBI and the CIA who investigated Mr. Sonnenfeldt. I also understand that this individual expressed the concern of both agencies about Mr. Sonnenfeldt's activities, that is, the FBI and the CIA were concerned about his abuse of sensitive materials.

(5) Miss Delores Wahl personally told me on February 26, 1964 the following: "Hal (Sonnenfeldt) was abusing our 'special material' last December (1963) and I had a fight with him about it." Miss Wahl is an employee of the Department of State having responsibility for materials of a particular sensitivity. (From document M-6 of the Hemenway Hearing, Department of State.)

In the light of the material cited above from the Congressional Record concerning possible prosecution of Sonnenfeldt, it is clear that, over a period of time, Mr. Sonnenfeldt had established a pattern of questionable conduct in matters pertaining to the handling of classified information. (However, the ability to "leak" does develop excellent contacts with powerful members of the press.) Once again, all of the facts are easily verifiable and capable of proof. FBI files should have the information.

This documented and public record was known to officials officially charged with the responsibility of judging the suitability of candidates for higher positions in the upper levels of the government service. Nevertheless, Mr. Helmut Sonnenfeldt was brought into the U.S. diplomatic service laterally at the relative rank of "major general" (FSO-1).

Senator Thurmond called it a "strange nomination" and, in addition to noting the violation of the career principles of the diplomatic service, he suggested the strong possibility of a violation of the Hatch Act. (Full text at TAB #1(b)). Senator Thurmond commented:

"I find it very disturbing that a top assistant in the National Security Council staff, responsible for formulating and advising on our international policy, should be chosen from a milieu which is antagonistic to the work of the President. (*Congressional Record*, March 26, 1970, S-4044.)

In briefing the head of state of an important Western European ally, several years later, Mr. Sonnenfeldt undercut the official policy direction of important U.S. financial interests overseas. Instead of explaining that Sonnenfeldt had exceeded his instructions, the policy was amended to include Sonnenfeldt's mistake. In one instance a senior official directed that a memorandum of conversation be amended so as to wipe out exposure of the Sonnenfeldt violation of policy. The matter is still delicate enough to be sensitive, but it unmistakably bears

upon Mr. Sonnenfeldt's suitability for the Treasury post. It also demonstrates how those wielding the power of the White House can abuse that power—but then that is nothing new these days.

In yet another matter reflecting on the quality of Sonnenfeldt's judgment, the respected journalist Mr. Willard Edwards of the *Chicago Tribune* reported on April 4, 1970, that:

"Prior to the Cuban missile crisis in October, 1972, Sonnenfeldt's associates recall, he solemnly advised that Russia would never place missiles in Cuba because such an act would endanger relations with the United States.

"They also recalled that Sonnenfeldt had predicted that Russia would not interfere in the Czechoslovakian uprising. The events of August, 1968, disclosed this judgment of Soviet intentions as erroneous as in the Cuban incident. . . ." (Willard Edwards, *Chicago Tribune*, 4 April 1970, TAB #4.)

#### FIRST-HAND TESTIMONY ON SONNENFELDT

While I never have examined Mr. Sonnenfeldt's judgements in reports concerning the two episodes referred to above, I know of my own first hand knowledge that critical, hard intelligence was ignored by Sonnenfeldt prior to the Cuban missile crisis, even though it came from a tested source and provided advance warning of Soviet intentions akin to the pre-Pearl Harbor intelligence available to the U.S. This contention is capable of positive proof from a document of public record from the Hemenway Hearing at the Department of State.

On 17 January, 1972, shortly after I alerted Mr. Sonnenfeldt to the possibility of his appearing to testify at a Department of State Hearing, a high Defense Department official reported to me that Dr. Kissinger was "climbing up the molding" over the prospect of an attack on Sonnenfeldt. [I am convinced that my request of Mr. Sonnenfeldt alerting him to the possibility of being a witness under oath was regarded as "attack", which it was not, of course. Mr. Sonnenfeldt's name was finally listed along with 30 or so others in an "Offer of Proof" dated 24 January 1972 which outlined what could be proved should the list of witnesses be called.] Mr. Sonnenfeldt was one of these and some of the evidence reviewed today was presented as a hearing document. (Document X-4 of the Hemenway Hearing Record, U.S. Department of State, contains the Offer of Proof.) [However, Dr. Kissinger's office aggressively alleged to the Pentagon that I had improperly informed a prominent newsmen and two Congressmen concerning a highly controversial policy decision made by Sonnenfeldt six months earlier. Specifically, in the name of the White House, Sonnenfeldt had taken action to deny U.S. asylum to a Polish defector. Ironically, Sonnenfeldt, who was born in Germany and himself had to flee from Hitler, issued the order for denying U.S. sanctuary to another refugee seeking the same freedom and protection. I believe that the decision was not only morally wrong, it was a policy error. Of course, the error carried with it possible terrible consequences to the individual denied sanctuary.]

Dr. Kissinger's office expressed concern to my superiors that Congressmen Derwinski and Crane, neither of whom I knew at that time, might initiate an investigation into the matter. It was an action taken only after I had raised the issue of Sonnenfeldt testifying at an independent State Department Hearing under oath. The newsmen named by Kissinger's office knew nothing about the alleged "leak" in which he was supposed to be involved. He had written about Sonnenfeldt, however, and Kissinger's office evidently presumed that I had inspired that story.

With the foregoing as background, let me outline the route by which Mr. Helmut Sonnenfeldt comes before this Committee as a senior U.S. diplomat of "career" seeking confirmation for an appointment that is not a part of the foreign service personnel and appointment structure at all, but a political appointment.

#### SONNENFELDT'S FRAUDULENT ENTRY INTO THE FOREIGN SERVICE

As you know, Mr. Chairman, the United States diplomatic service is called the "Foreign Service". (One wag has called it our "very foreign" service.) [The three-man panel which examined Helmut Sonnenfeldt's qualifications to enter the Foreign Service as an FSO, finally nominated March 11, 1970, consisted of Mar-

garet Joy Tibblits, Howard L. Parsons, and Alan Fidel. Those three examining officers were offered files said to contain Mr. Sonnenfeldt's (1) medical records, (2) performance records, and, (3) security records. All of the written records were highly commendatory and favorable to Sonnenfeldt, who was also found by the panel to be highly articulate and who made a good impression. The panel found no adverse security information in the files whatsoever. This is virtual proof that the file had been "sanitized" or, if you prefer, "rigged".] At the very least, the security file should have contained the allegations, refutation of the allegations, and the evaluation. All of the material contained in this testimony were known and should have been reflected in the Sonnenfeldt security file.

It is worth noting that, on February 19, 1969, [the *Government Employees' Exchange* reported the disappearance of classified information from Sonnenfeldt's security file (page 11, col. 3.) I do not know how that newspaper got such information a year ahead of the events I cite above. The editor, Mr. Sid Goldberg is available for testimony, if summoned.]

Obviously, with all the files favorable, the panel examining Sonnenfeldt could do nothing else than pass him. He was passed, unanimously into the diplomatic service he had publically denigrated over the years before his civil service and Foreign Service colleagues, myself among them.

Mr. Chairman, I appreciate that your Committee is concerned with Finance, not Foreign Relations. Many of your Committee members may not follow closely details of Department of State Administration. Presumably, if confirmed, Mr. Sonnenfeldt, now a "career" diplomat, will come to Treasury to look after the foreign policy aspects of U.S. Treasury policy.

You should know that, when Mr. Sonnenfeldt was made an FSO-1, the Department of State was administered by Mr. William B. Macomber, Jr., who, in turn, was supervised for the Secretary of State by Elliot L. Richardson, then Under Secretary of State. Mr. Macomber is now U.S. Ambassador to Turkey. (Macomber was in charge of the tragic failure to rescue our captive diplomats held hostage in the Sudan.) Macomber's confirmation as U.S. Ambassador to Turkey was opposed by a number of persons for good and valid reasons. I was among them. Recently his name was mentioned in connection with the Watergate cover-up. He is said to have facilitated making available State Department documents (press tear sheets are at TAB #5 (a and b)).

At the Macomber confirmation hearing some very knowledgeable spokesmen wanted to hold full hearings on Mr. Macomber's operations during the time he was Deputy Under Secretary of State. Mr. Mollenhoff wrote a remarkably discerning article on the strange reluctance of the pertinent Senate Committee to look into the improper activities in which Macomber was involved (TAB #6 provides the Mollenhoff article.) The important labor organization AFGE also felt that a full scale hearing into Mr. Macomber's fitness for the Office was in order. However, his confirmation was said to be "unanimous". And now it is clear that Macomber played a role in the Watergate, knowingly or unknowingly—that has still to emerge.

No doubt there is some regret in the Foreign Relations Committee today that the Macomber nomination was reported out of Committee so rapidly.

Mr. Elliot Richardson, Mr. Macomber's immediate superior during the first years of the Nixon Administration in the Department of State, has been selected to play a major role in the examination of the illegalities of Watergate and to enforce the laws of the United States.

Both Mr. Macomber and Mr. Richardson played key roles in the unusual transfer of Mr. Sonnenfeldt from the civil service into the Foreign Service at the very high grade of FSO-1. (This was done after Sonnenfeldt was already working for Mr. Kissinger as part of the staff of the National Security Council (NSC). It was clear then and it is even more clear now that, if confirmed, there is no intention of sending Mr. Sonnenfeldt overseas on assignment. It is also clear that, to become an FSO, Mr. Sonnenfeldt had to receive special favors and consideration under the law—even if the laws were not violated, which I believe was the case. As a minimum, documents were removed from the Sonnenfeldt file so that the three-man panel could, with a "clean" conscience, vote for his admission to FSO ranks. It was a fraudulent operation; however, it carried with it greatly increased emoluments for Mr. Sonnenfeldt personally.)

Now Mr. Sonnenfeldt has been selected to work in an area of the government directly under your Committee's supervision. Even if your Committee believes there never was adequate grounds for criminal prosecution of Mr. Sonnenfeldt,

then it would seem prudent to investigate thoroughly the circumstances I have just related before unanimously reporting the Sonnenfeldt nomination out of Committee. If Mr. Kissinger can be given wire-taps on former NSC staff members like Mr. Halperin (See *TAB #7* for press tear sheet), it would not seem right to deprive your Committee from having access to the wire taps on Mr. Sonnenfeldt which provide the basis for providing that he lied during official interrogations.

Personally, I am aware of no practical background or educational experience possessed by Mr. Sonnenfeldt that qualifies him for this position with the Treasury Department. I am aware of considerable disqualifying information.

#### OATH OF OFFICE

For 27 years, as an officer of the United States, I and practically all of my colleagues have tried to maintain high standards. I and they really have tried to live the *Code of Ethics for Government Service* passed by the Second Session of the 85th Congress (Concurrent Resolution no. 175): "Any person in Government service should: . . . uphold the Constitution, laws, and legal regulations of the United States . . . and never be a party to their evasion. . . . expose corruption wherever discovered."

It is alleged that Mr. Sonnenfeldt "leaked" information to Mr. Nelson Rockefeller and to Mr. Kissinger before Mr. Kissinger joined the government. (See Congressional Record, p. E 10197 of September 29, 1971 at *TAB #8*.) If this is correct, then Mr. Sonnenfeldt's extraordinary relationship with Mr. Kissinger becomes understandable.

Speaking quite personally, as a private citizen, like a lot of Americans, I regard high government office in the service of this Republic neither a reform school for officials who have erred nor as a fiefdom in which the very wealthy or very privileged can dispense favors oblivious of the real sovereign, the people.

Today the entire country is concerned with matters of accountability, confidence, responsibility and trust. Clearly, in order to do the kind of job the American people have the right to expect, the President must have dedicated civil servants upon whom he can rely. He too, has that right.

What does the Congress expect government employees to do when senior officers in the government and supervisors are not held accountable and violate their oaths of office?

Let us look one last time at the record—the public record—of Helmut Sonnenfeldt.

The record indicates that Mr. Sonnenfeldt has a pattern of violating his oath of office and the trust of that office.

The record indicates that Mr. Sonnenfeldt is not worthy of the trust.

The record indicate that Helmut Sonnenfeldt should not be confirmed by the Senate as Deputy Secretary of the U.S. Treasury.

TAB NO. 1(a)

JOHN D. HEMENWAY,  
Washington, D.C., April 12, 1973.

Senator ROBERT DOLE,  
Member, Senate Committee on Finance, U.S. Senate,  
Washington, D.C.

DEAR SENATOR DOLE: Today your Chief Counsel, Mr. Tom Vail received a request from me to be allowed to present evidence in the matter of Mr. Helmut Sonnenfeldt, who is nominated to be Deputy Secretary of the Treasury. My letter to Mr. Vail is attached.

Abundant evidence is available to show that Mr. Sonnenfeldt is unfit for this high office and not worthy of the trust. Evidently, when promoted to FSO-1 (the top) in the diplomatic service a few years ago, his personnel dossier was "sanitized" to facilitate his lateral admission at the relative rank of a major general.

An affidavit signed by Mr. Otto Otepka is enclosed for your perusal. It raises many questions for which you will find there are no answers. Although Mr. Otepka's material is limited and somewhat dated, there are a number of witnesses available who can corroborate and expand on the material sworn to by Mr. Otepka.

You may wish to read material put into the Congressional Record at the time that Mr. Sonnenfeldt was brought into the diplomatic service of the United



States. It was placed into the record by Senator Thurmond of South Carolina. Having served in the Foreign Service for 14 years and knowing Mr. Sonnenfeldt, I can assure you that this material is worth pondering.

In pursuing your constitutional duty to examine the qualifications of Mr. Sonnenfeldt before passing on his suitability for the office of Under Secretary, I hope that you will receive my testimony in a formal way and will consider all of the evidence before rendering your decision. I would appreciate hearing what your intentions are in this matter and I will cooperate with your wishes in any way.

Sincerely yours,

JOHN D. HEMENWAY.

TAB NO. 1(b)

[From the Congressional Record, Mar. 26, 1970]

THE STRANGE NOMINATION OF MR. SONNENFELDT

Mr. THURMOND. Mr. President, on March 11 the list of nominations received by the Senate included the name of one Helmut Sonnenfeldt of Maryland for appointment as a Foreign Service officer of class I.

This is a most unusual appointment. The Foreign Service is supposed to be composed of career diplomats who have served their country around the world and have their special status recognized through the Foreign Service rating system. The rating of FSO I is normally the highest rank which a career diplomat can achieve aside from the exceptional positions of Career Minister and Career Ambassador, reserved for a handful of the most distinguished members of the corps. Thus, it appears that we have Mr. Sonnenfeldt entering the Foreign Service at the highest rank normally achieved by others after years of service abroad. Thus, this unusual appointment threatens the status and achievement of the many dedicated Foreign Service officers who have served with distinction. It is an affront to the career system and a threat to the stability of impartial ratings and of the morale of those who have worked their way up through the ranks to achieve their present positions.

Mr. Sonnenfeldt's appointment is especially outrageous in view of the fact that at the present time, due to the economy measures being taken throughout the Government, the Foreign Service Corps is currently affected by a reduction in force of approximately 10 percent. This means that about one out of 10 of every career Foreign Service officer reviewed for promotion is "selected out"—that is, severed from the Service. So at the very time when many Foreign Service officers are being severed from the Service because of the high rate compelled by the reduction in force, Mr. Sonnenfeldt, who has never served abroad, is entering into the Foreign Service Corps at the highest possible level.

Mr. President, as I have pointed out, this is a highly unusual situation. In fact, it is a unique situation. I am informed that in the fiscal year of 1970—that is, since June of last year—only three men have made lateral entry into the Foreign Service; two of them at the relatively low class III level and only one at the class I level. That sole individual is Mr. Sonnenfeldt.

We can see, therefore, that Mr. Sonnenfeldt is an exceptional case who is given special treatment at a time when many others are losing their jobs.

I have mentioned that Mr. Sonnenfeldt has never been abroad. I have received information concerning Mr. Sonnenfeldt's personnel history. Originally, he was in civil service status—and in 1965 he was converted from a GS-15 to Foreign Service Reserve Officer II—maximum U.S. duty.

The FSRO was originally conceived by Congress as a means for the temporary use abroad of persons who were particularly qualified in one aspect or another and whose qualifications filled a need for a particular job overseas.

At this period, Mr. William Crockett, who was then Deputy Under Secretary for Administration in the State Department, began to use this wise provision of the law as a means for enlarging his domestic staff without specific congressional authorization. He invented the category of FSRO—maximum U.S. duty—meaning a Foreign Service officer would never be assigned to foreign service. Those who accepted such a service would enjoy a higher pay scale than in civil service, without having the burden of serving abroad. On Mr. Crockett's part, it relieved him of observing civil service regulations with regard to job rights and categories.

Mr. Sonnenfeldt thus entered the Reserve Officer Corps under this highly unusual situation as a FSRO class II—maximum U.S. duty. I am told that in 1967 he was promoted to the rank of FSRO I—maximum U.S. duty—by a special panel dealing only with officers of this unusual category. The same panel recommended that he be converted from FSRO I to FSO I; that is, to permanent status. But the board of examiners reportedly refused to do so because he had not personally applied for the job, and there was no certificate from the Director of the Foreign Service that he was needed. It is significant that, if he had personally applied, then he would have been liable for duty overseas.

Under these circumstances, he was appointed to the National Security Council staff in 1969 in what is essentially a political policymaking position. From the prestige status of this political appointment, he applied for conversion to FSO I in September 1969. He is, in effect, starting at the top. It is hard to escape the assumption that questions of political influence have overshadowed the merit system of the FSO.

It is particularly interesting that Mr. Sonnenfeldt received this special treatment, despite the fact that his wife is known as an antagonist to the present administration. I find it very disturbing that a top assistant in the National Security Council staff, responsible for formulating and advising on our international policy, should be chosen from a milieu which is antagonistic to the work of the President. I do not question the right of Mrs. Sonnenfeldt to engage in political activity, but the question arises whether she acted with the approval or at the direction of her husband. Under the Hatch Act, no Government employee may do indirectly what he is forbidden to do directly. In any event, I find it particularly strange that a top policy adviser is picked from such a political context and, on top of that, given preferential and unusual treatment which threatens the justice and fair workings of the Foreign Service Corps.

In this regard, an article appeared in the Sunday Star last week which discusses Mrs. Sonnenfeldt's political activities. Mr. President, I ask unanimous consent that the article "Offbeat Washington" by Vera Glaser and Malvina Stephenson be printed in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

[From the Washington Sunday Star, Mar. 22, 1970]

(By Vera Glaser and Malvina Stephenson)

#### OFFBEAT WASHINGTON: TWO WIVES

Two Democratic wives of high administration officials worked hard to defeat Richard Nixon in 1968.

Now they're "lying low" as off-year election races warm up in another test of his popularity.

The attractive young matrons are Mrs. Helmut Sonnenfeldt, whose husband is a top member of Dr. Henry Kissinger's National Security Council staff in the White House, and Mrs. Robert J. McCloskey, wife of the deputy assistant secretary of state for press relations.

"There is a whole crew of Democrats still in key positions in the Nixon administration. It makes me very pleased," said Mrs. Rowena Hoover, executive secretary of the Democratic headquarters in nearby Montgomery County, where the two women have been stalwarts.

"They helped carry the county for the Humphrey-Muskie ticket by 7,400 votes," she recalled.

Marge Sonnenfeldt said she manned get-out-the-vote telephones for presidential candidate Hubert Humphrey on election eve 1968 "until they pulled the wires out."

Anne McCloskey said most of her work had been for Democratic Senatorial Candidate Margaret Schweinhaut, who lost that year to the GOP's Charles M. Mathias Jr.

Both women have been less active since Richard Nixon took office, Mrs. Hoover said.

#### NOT NAGGING

"I haven't been nagging at Marge because I'm glad to have her husband in the White House. For the most part her terrific energy was used in her neighborhood in 1969," Mrs. Hoover said.

Mrs. McCloskey said candidly that she had toned down her partisan activity because her husband's job made it sensitive.

"I am willing to collect dollars for Democrats but have done no precinct work," she said. Mrs. McCloskey at one time worked for GOP Sen. Jacob Javits of New York.

Mrs. Sonnenfeldt said she felt her partisan activities should not be embarrassing to her husband in the White House because "he's a professional."

TAB No. 1(c-1)

**AFFIDAVIT OF OTTO F. OTEPKA**

I, Otto F. Otepka, 1882 Arcola Ave., Wheaton, Maryland, having been duly sworn according to law, hereby depose and say:

1. I was employed by the Department of State from June 15, 1953 until June 29, 1969. During a substantial portion of that time I occupied the positions of Chief, Division of Evaluations, Office of Security and Deputy Director, Office of Security. Between June 30, 1969 and June 30, 1972 I served as a Member of the Subversive Activities Control Board, a Presidential appointment for which I was confirmed by the United States Senate. I am now retired from the Federal Government.

2. While in the Department of State, I became aware of an official investigation of Mr. Helmut Sonnenfeldt undertaken by the Office of Security in or about 1955 on the basis of information that Mr. Sonnenfeldt was providing classified data obtained by him through his position in the Department's Bureau of Intelligence Research to certain individuals in the public media in violation of the security standards and practices of the Department of State.

3. The investigation established the fact that Mr. Sonnenfeldt had furnished information without authority to several members of the press despite specific prohibitions applicable to employees of the Bureau of Intelligence Research that were necessary owing to the sensitivity of that Bureau's operations.

4. No disciplinary action was taken against Mr. Sonnenfeldt by management, despite the serious nature of his offense, in order to avoid a public issue about the use of electronic surveillance methods by the State Department in corroborating the offenses in question.

5. Subsequently, Mr. Sonnenfeldt was reassigned to the Arms Control and Disarmament Agency of the Department of State when he could not be approved under security standards established and enforced by the United States Joint Intelligence Board for access to certain highly sensitive data that was required for his position in the Bureau of Intelligence Research. Mr. Sonnenfeldt was deemed ineligible because of his propensity for leaking classified information and because he was not a native born citizen.

6. During 1960 another investigation was undertaken of Mr. Sonnenfeldt when it was revealed that he was providing classified or otherwise nonpublic information obtained by virtue of his official position to persons outside the Department of State who were opposed to the election of Richard Nixon as President of the United States. In the course of a physical surveillance of Mr. Sonnenfeldt, he was observed, for example, on an official working day, leaving the residence of Marguerite Higgins, a newspaperwoman, in the company of Robert Kennedy, brother of John F. Kennedy, who was Mr. Nixon's opponent in the 1960 national election.

7. On my information and belief, Mr. Sonnenfeldt's tenure in the State Department was solidified by the election of John F. Kennedy. However, subsequent reprisals were taken against security officers in the State Department who testified before Congressional Committees about deficient security practices. State Department management, meanwhile, promoted Mr. Sonnenfeldt to more critical positions relating to the national security.

8. There are other important details to be provided in this matter at the appropriate time before a suitable board of inquiry. The information provided in this affidavit can be expanded and elaborated upon in greater detail by myself and other witnesses to these and other related events on such an occasion.

Sworn to before me this 26th day of January A.D. 1978.

JAMES B. CONNALLY,  
Notary Public, District of Columbia.

## TAB NO. 2

NATIONAL SECURITY COUNCIL,  
Washington, D.O., December 11, 1971.

Mr. JOHN D. HEMENWAY,  
Washington, D.C.

DEAR JOHN: To follow up our telephone conversations, I am sending you this letter before leaving for the Azores conference.

I am unable to make a specific statement concerning the accuracy of what is attributed to me in the testimony and in the brief written text you sent me because I simply cannot recall the specific contents of my conversation with Ambassadors Parsons and Penfield. This conversation took place almost three years ago and I kept no record of it.

To the best of my recollection, I discussed with Ambassadors Parsons and Penfield the various aspects of your performance when I was your superior, including those relating to your drafting of analytical papers while you were in RSB. I note that some of the words attributed to me in the written text you sent me are words that also appeared in those parts of the various ratings or reviews I wrote about you that dealt with your drafting of RSB Reports. This suggests, though, as I say, I cannot specifically remember it, that as regards your drafting, I spoke to Ambassadors Parsons and Penfield in terms essentially similar to those I had used earlier in writing. In reviewing those earlier ratings and reviewing statements now, I recall that I wrote them with great care and I would still stand on them as representing my considered and detailed assessment of your performance.

Sincerely,

HELMUT SONNENFELDT.

## TAB NO. 3

[From the Congressional Record, Sept. 24, 1970]

MR. AGNEW, WHAT ABOUT THE STATE DEPARTMENT?

Mr. RARIOK. Mr. Speaker, our illustrious Vice President, the Honorable Spiro Agnew is presently on tour and promises in his stump talks to expose the radicals in Congress.

The American people certainly hope that he will continue his crusade, and many wonder why he does not extend his exposé to include the troglodytic leftists who infest the State Department and who it is that tolerates their remaining, against the thorough housecleaning promised the American people by President Nixon before he was elected.

The American people realize that their major menace is not the big Red Army from without but the big pink army within. With Marxism taking the world, the people are wondering why there is no mention of an obvious Communist menace within the higher echelon of our Government.

I include an article on William P. Rogers, by Frank A. Capell, which appears in the September 28 issue of the Review of the News, as follows:

WILLIAM P. ROGERS: PRESIDENT NIXON'S SECRETARY OF STATE CONTINUES TO PROTECT THE COMMUNISTS

(By Frank A. Capell)

Subversion in the U.S. State Department has for many years been a prime concern of those conservative Americans who helped elect Richard Nixon and hoped for the "housecleaning" he promised. Candidate Nixon assured America on October 13, 1968: "I want a Secretary of State that will join me in cleaning house in the State Department. We are going to clean house up there." Many actually believed him.

The *New York Times* of April 24, 1969, reported the response to Nixon's Secretary of State, William P. Rogers, when reminded of the above Nixon promise. The *Times* said Mr. Rogers laughed and declared: "You know, I come from a small town, and to us a housecleaning was something that was done once a year. The wives freshened everything up, moved things around, got rid of the things that weren't useful anymore—but they never threw out all the furniture."

It was thus that Mr. Nixon's new Secretary of State laughingly informed deluded Americans that there just was not going to be any housecleaning at State. In fact, Mr. Rogers even refused to allow Otto Otepka to return to the State Department so that Nixon could make good on another campaign promise—to see that justice was done in the case of Otepka, who had been ousted as State's top security evaluator for attempting to maintain some semblance of security in a Department seriously threatened by treason. Secretary Rogers means to have the State Department run by the same radical crowd.

William Pierce Rogers was born in Norfolk, New York, on June 23, 1913, the only child of Harrison Alexander Rogers and the former Myra Beswick. His father was a papermill executive, bank director, and local Republican leader who was left by the Depression with only a small insurance business. When William Rogers was thirteen his mother died and he went to live with his maternal grandparents, Mr. and Mrs. Pierce Beswick of Canton, New York. He graduated from Canton High School in 1930, attended Colgate University on scholarship, and was graduated from Colgate with a B.A. degree in 1934. With the help of scholarships, he continued his education at Cornell Law School, earning his degree in 1937. Bill Rogers married a fellow law student, Adele Langston of Wénonah, New Jersey, on June 27, 1936. They have a daughter and three sons.

While in college, Rogers displayed an inclination "to be with the guys who were doing big things," and had no problem penetrating the inner circle of any group he joined. Then as now he was handsome, charming, and urbane. Upon graduation he joined the prestigious New York law firm of Cadwalader, Wickersham & Taft, but stayed only a few months. The place to be was obviously around Tom Dewey, who was being prepared by New Yorker's *Insiders* for big things.

Thomas E. Dewey's rise up the political ladder had begun with publicity gained as a racket-busting New York District Attorney. Rogers went to Dewey's office and offered to work for him for nothing if permitted to join the Dewey staff of "top-notch young crime investigators." Tom Dewey was impressed, and Rogers became one of fifty young men selected from 6,000 applicants to be assistant district attorneys in New York. From 1938 to 1942 he argued over 1,000 cases in court.

Attorney Rogers joined the U.S. Navy in August of 1946. He returned to the New York District Attorney's office under Frank Hogan, who had by now replaced Dewey. In April 1947, however, Rogers resigned from the District Attorney's office to go to Washington. He became counsel to the Senate's Special Committee to Investigate the National Defense Program. In July of the same year he became Chief Counsel.

By March of 1948 the Special Committee was succeeded by the Senate investigations subcommittee of the Senate Executive Expenditures Committee. The Chairman was Senator Clyde R. Hoey, a Democrat of North Carolina, who asked to remain as Chief Counsel even though he was a Republican. Bill Rogers' only public act of anti-Communism occurred during this period. He publicized information which led to the perjury conviction of the Commerce Department's William Remington "for lying about passing secret information to Soviet spy Elizabeth Bentley." Miss Bentley forced his hand.

Rogers' other accomplishments during his stint with the Senate Committee were the jailing of Major General Bennett E. Meyers for inducing a witness to lie to the Committee during a war contracts investigation; and a perjury indictment against John Maragon, a White House intimate, in the investigation of the "five percenters." Rogers left the Committee March 1, 1950, to join the Washington offices of the New York legal house of Dwight, Royall, Harris, Koegel & Caskey—the "world's largest law firm."<sup>1</sup>

William Rogers has been in, out, and on the fringe of government service for many years. But he would probably have attained his political aims much sooner had the results of the 1948 presidential election been different. As *Parade* magazine noted in its issue of February 23, 1969; "Had Dewey been elected President in 1948, Rogers, as his protégé, would have assumed a position of importance,"

<sup>1</sup> In recent years known as Royall, Koegel, Rogers & Wells, William Rogers did so well he became a senior partner—earning \$300,000 a year, a seat on the board of directors of the ultra-Leftist *Washington Post*, and a fancy apartment in the U.N. Plaza Building.

Thomas E. Dewey had used his reputation as a "racket-buster" to propel himself into the New York governorship, from which he took the jump into the presidential race. The "Eastern Establishment" thought its boy had it made. But, Dewey's overconfidence and his refusal to use against the Democrats the issue of Communist subversion gave Harry Truman a surprise victory.

The next opportunity for a Republican try at the presidency, and Rogers' next chance at an appointment to a top government post, would not come until 1952. William Rogers devoted himself to the practice of law for the *Insiders*. When the *Insiders* of the "Eastern Establishment" persuaded General Eisenhower to be their candidate in 1952, Rogers offered his services in the campaign to secure the Republican nomination for Eisenhower. He was active at the Republican Convention and worked with Herbert Brownell Jr. in designing the strategy which sabotaged Taft. And, Rogers was chosen to accompany vice-presidential nominee Richard Nixon on his campaign tours.

Bill Rogers was by now not only a Dewey-style *Insider* but an old friend of Richard Nixon's, having counseled him in the Hiss-Chambers affair. Rogers had advised Nixon, who was then an unknown Congressman, to go ahead with the case. Pragmatically, it was a good move. It brought Richard Nixon an undeserved reputation as an anti-Communist—and, it assured him a key seat in the U.S. Senate. Rogers' advice was not so much based upon any desire to expose Hiss, as to warn Nixon that since Chambers' story was backed up by microfilmed evidence it was irrefutable.

Another crisis developed while Rogers was accompanying Nixon on his campaign. Again he gave his friend excellent advice and assistance. The famous Checkers speech was Rogers' brainchild, and it saved the day for the future Vice President. Demands had been made for Nixon to withdraw as Eisenhower's running mate after enterprising reporters established that a group of California businessmen had provided a "slush fund" to pay Nixon's expenses as a Senator. Rogers advised him to stand pat, and sold the idea of a grandstand play to Tom Dewey, who was masterminding the Eisenhower campaign. Nixon went on national television and, in a speech reportedly put together by Rogers, declared he had never taken any gift except a cocker spaniel named Checkers, and that he intended to keep the dog. That speech kept Richard Nixon on the ticket.

Following the Eisenhower victory, Rogers was at the request of Dewey and Nixon appointed Deputy Attorney General. He became the Department of Justice's chief liaison with Congress and other federal departments and agencies. When Attorney General Herbert Brownell resigned in 1957, William Rogers was immediately appointed to succeed him. Anthony Lewis of the *New York Times* stated prophetically: "Rogers is important not only because he is a member of the [Eisenhower] Cabinet: among the close advisers of the President, he is closest to the Vice President—officially and personally. In a Nixon Administration, Rogers would be even closer than he is at present to the center of American political power."

William Rogers played a principal role during the Eisenhower Administration in the drafting of the Civil Rights Act of 1957, and in establishing the Civil Rights Division of the Department of Justice. It was Rogers who wrote the brief justifying the use of the troops in Little Rock, Arkansas, in 1957. He is known as a strong advocate of "Civil Rights"; both Rogers and his wife have been contributors to, and sponsors of, the Washington Negro Student Fund. One of the founders of this fund was Lydia Katzenbach, wife of radical Nicholas Katzenbach—who is being retained as a special consultant by the State Department under William Rogers. Another contributor and sponsor of this outfit was Adam Yarmolinsky, who once raised funds for the Young Communist League, and who has admitted: "The Young Communist League believed and I was inclined to believe that a so-called Communist government was a desired end."

One of Rogers' most important roles in the Eisenhower Administration was as a key operative in the effort to put an end to the anti-Communist crusade of the late Senator Joseph R. McCarthy of Wisconsin. Also involved was another Nixon appointee, Henry Cabot Lodge, who was at the time U.S. Ambassador to the United Nations. According to a press release in November 1953, Lodge was working on leave with the White House, after the recess of the United Nations, "in connection with matters on Capitol Hill or matters relating to the Senate." This was brought out in the testimony before the Special Senate Subcommittee on investigations to explain his presence at an anti-McCarthy strategy meeting held on January 21, 1954, in the office of the Attorney General.

Also present at that meeting were Attorney General Brownell; Deputy Attorney General Rogers; White House aides Sherman Adams and Gerald Morgan; and, John G. Adams, counselor, Department of the Army. As a result of this conference the decision was made for John Adams to start compiling notes to be used as the basis for filing charges against Senator McCarthy and members of his staff. Adams admitted before the Senate Subcommittee:

"The meeting finally concluded with the decision that I should call on the Republican members of the investigating subcommittee . . . and point out to them the two problems which I had discussed with the Attorney General's office."

One of these "problems" was the fact that Senator McCarthy planned Hearings on the loyalty board—which Senator McCarthy believed to have been clearing Communists for sensitive government positions.

As is well known the anti-McCarthy plotters were successful. The charges against Senator McCarthy were given to the press even before they were presented to the Senators. McCarthy was "censured" by his colleagues and rendered ineffective in his efforts to clean out the Communists being harbored in our government. All this was the result of a well-planned operation hatched in the highest echelons of the Executive Department, and with much of the "responsibility" resting upon the shoulders of our present Secretary of State, William P. Rogers.

Upon his shoulders also must rest the responsibility for having Helmut Sonnenfeldt moved into a highly sensitive position on Henry A. Kissinger's staff in the National Security Council. It was during Rogers' tenure of office in the U.S. Department of Justice that Sonnenfeldt was in "very serious trouble" because of alleged "leaks of top secret and secret" classified information to foreign agents with whom he had frequent and close associations. An intense F.B.I. investigation resulted in discussions about prosecution. No such prosecution ever took place because the State Department held that it was "not in the interest of the U.S. government" to have the secrets involved become public knowledge. Rogers agreed not to prosecute and Sonnenfeldt was saved from conviction under the espionage statute.

Many other highly dubious characters have been retained, reassigned, and promoted under the new Secretary of State. Among these are such security risks as Jacob Beam (now Ambassador to the Soviet Union), Edwin M. Martin, and David H. Popper—all of whom received promotions despite long histories of association with Communist, radical, and subversive causes. More serious, Nicholas Katzenbach and George Ball were selected as special consultants, and Idar Rimestad was asked by Rogers to remain in the State Department to be in charge of all personnel.

Rimestad has been instrumental in keeping Otto Otepka, the ousted State Department security chief, from obtaining justice. The State Department just wasn't big enough for both, Rimestad is reported secretly to have learned Russian, to have conferred repeatedly in private with Soviet nationals, and to have maintained pro-Soviet and anti-American views going all the way back to 1946. Mr. Rimestad is now operating for Rogers out of Geneva.

Nicholas Katzenbach, appointed special consultant to Secretary of State Rogers, studied law with his wife Lydia under Abe Fortas at Yale University.<sup>1</sup> Mrs. Katzenbach (the former Lydia Stokes) comes from a famous Leftist family. Her aunt, Rose Pastor Stokes, was a notorious Communist with an ugly police record. Her uncle, James Graham Phelps Stokes, was president of the Fabian Intercollegiate Socialist Society and Counsellor for the Bolshevik Russian Information Bureau in the United States.

As Under Secretary of State, Nicholas Katzenbach issued a security clearance for John Paton Davies, a serious security risk who was heavily involved in delivering China to the Communists. Davis was cleared by Katzenbach to work as a consultant at the O.I.A.-financed Center for International Studies at M.I.T., which has a contract with the Arms Control and Disarmament Agency. The clearance was given with the consent of Secretary of State Rogers, who then ensured his continued access to Katzenbach by appointing him a special consultant. The M.I.T. center also has on its staff identified Communist Harold Isaacs, who was involved with Agnes Smedley of the Sorge Spy Ring.

George W. Ball, another of Secretary Rogers' consultants, was recommended for appointment as Under Secretary of State by Adam Yarmolinsky (himself a

<sup>1</sup> The *Washington Star* of January 19, 1969, states that "before the election . . . William P. Rogers wrote to Nixon a letter recommending that Nixon name Justice Abe Fortas as chief justice if Nixon won."

serious security risk) who worked in George Ball's office in Washington, D.C., from 1951 to 1954. Like many others in the Nixon Administration, the radical Mr. Ball is a member of both the Council on Foreign Relations and the Bilderbergers.

On March 5, 1969, Congressman John Rarick (D.-Louisiana) called the attention of the Congress to the fact that the citation of the National Lawyers Guild on the Attorney General's list had been rescinded by William Rogers. In light of the evidence, as Rarick noted, this was simply fantastic! Congressman Rarick quoted from public addresses of U.S. Attorney General Herbert Brownell Jr. as follows:

"It is because the evidence shows that the National Lawyers Guild is at present a Communist dominated and controlled organization fully committed to the Communist Party line that I have today served notice to it to show why it should not be designated on the Attorney General's list of subversive organizations."

Congressman Rarick continues: "On September 11, 1958, the Attorney General [Rogers] rescinded the proposal to designate the Guild. (1958 Annual Report of the Attorney General, Page 251.) On September 12, 1958 . . . the Attorney General [Rogers] had concluded that the evidence that would now be available at a hearing on the merits of the proposed designation fails to meet the strict standards of proof which guide the determination of proceedings of this character."

That was pure balderdash! Rogers' reversal of Brownell was out-and-out appeasement of the Communists. The National Lawyers Guild had already been cited as a Communist Front by the Special Committee on Un-American Activities on March 29, 1944, and by the Senate Internal Security Subcommittee on April 23, 1950. The House Committee on Un-American Activities' citation of September 21, 1950, stated that the National Lawyers Guild is the "foremost legal bulwark of the Communist Party, its front organizations, and controlled unions," and that "since its inception has never failed to rally to the legal defense of the Communist Party and individual members thereof, including known espionage agents."

Yet, Attorney General William P. Rogers made the determination that sufficient proof was not available to keep the National Lawyers Guild on the Attorney General's list *even though* such proof had clearly been established by both Houses of Congress. As usual, he was supporting the Reds.

Another incident of Secretary Rogers' support for the Communists was brought to light by Willard Edwards in the *Chicago Tribune* of March 5, 1970. The matter concerned Communist terrorist Amilear Cabral, whose seven-year guerrilla war in Portuguese Guinea has been waged with Communist backing and arms. Secretary Rogers had actually allowed Cabral to come to the United States for ten days so he could appear before the House Subcommittee on African Affairs. The State Department thus promoted yet another propaganda victory for the Communists. Ed Hunter pointed out in *Tactics* for March 20, 1970, that the use of the U.S. Congress as a forum for this Communist terrorist would be exploited abroad to enhance his prestige while being interpreted as a slap at Portugal, our N.A.T.O. ally.

Rogers' aid to the enemy was also brought out in the summer of 1969 when he authorized the State Department to pressure the courts in Chicago to release indicted anarchist prisoners so that they might represent the United States in Paris and in Asia. Rogers' sanction permitted self-confessed Communists Dave Dellinger, Rennie Davis, and other Leftists to negotiate with their Comrades among the Vietcong about the release for propaganda purposes of three American prisoners.

In March of 1969, Secretary Rogers laid it on the line to the Senate Foreign Relations Committee. "We are not," he said, "seeking a military victory" in Vietnam. Secretary of State William Rogers doesn't want victory over the Communists in Vietnam or anywhere else. As *Human Events* has noted: "Rogers, according to one high State Department source, is constantly thinking up ways in which the United States can make concessions to the Soviets."

During the Eisenhower Administration, Secretary of State John Foster Dulles carried forward the Leftward courts of American foreign policy by "always saying the right thing and always doing the wrong thing." Rogers thoroughly trained in the quiet behind-the-scenes maneuvers of the Eisenhower Administration, does "the wrong thing" without even bothering to say the right one. The latter task has been assigned to Vice President Spiro Agnew. But you will note that even Mr. Agnew avoids talking about "housecleaning," at the State Department.



## TAB NO. 4

[From the Chicago Tribune, Apr. 4, 1970]

## PROMOTIONS LIST CAUSES A STIR

(By Williard Edwards)

WASHINGTON, April 3.—It is captioned in the Congressional Record as "The Strange Nomination of Mr. Sonnenfeldt," and subsequent disclosures about this Presidential appointment seem to justify its distinction as extraordinary, if not mysterious.

The Senate customarily gives only perfunctory attention to White House selections for the foreign service corps. Hundreds of such nominations, below the rank of ambassador and minister, are routinely approved without inquiry or debate.

Thus, when 140 names of nominees to the diplomatic service were submitted to the Senate last March 11, little notice was taken of the proposed appointment as "a foreign service officer of class 1" of Helmut Sonnenfeldt, 48, a staff aide to Henry Kissinger, the President's special assistant for national security affairs.

This apathy on Capitol hill was not matched in the foreign service corps, at home and abroad. The appointment kicked up a storm among scores of veterans with distinguished careers who saw this promotion over their heads as a violation of the career system destructive to morale.

Their complaints might have been dismissed as jealous grumbling against a brilliant young star in the diplomatic field whose "exploits merited unusual reward. But an examination of Sonnenfeldt's record reveals some memorable boners.

Prior to the Cuban missile crisis in October, 1962, Sonnenfeldt's associates recall, he solemnly advised that Russia would never place missiles in Cuba because such an act would endanger relations with the United States.

They also recalled that Sonnenfeldt had predicted that Russia would not interfere in the Czechoslovakian uprising. The events of August, 1968, disclosed this judgment of Soviet intentions as erroneous as in the Cuban incident.

Why, then, has Sonnenfeldt been singled out for unique treatment—given a status reserved for a handful of the state department's top career men? He has never served abroad—the usual requirement is many years at foreign posts—but was in effect starting at the top at a time when many career men were being retired in a reduction-in-force economy move.

Calling it a "strange nomination," Sen. Strom Thurmond [R., S. C.] sought to provide some answers in a Senate floor statement March 26. He outlined Sonnenfeldt's state department career since he started as a low-salaried clerk in 1947, graduating to intelligence research work, and soaring to a high level under the Kennedy and Johnson administrations. Normal practices were waived to accelerate his career.

Thurmond noted that Sonnenfeldt's wife had been publicized as one of the most active workers for the Humphrey-Muskie ticket in 1968. Questioned recently, she said she felt her Democratic party activities should not be embarrassing to her husband in the White House.

Like Kissinger, his present chief, Sonnenfeldt was born in Germany. He was naturalized in 1945.

"It is hard to escape the assumption that questions of political influence have overshadowed, in this case, the merit system of the foreign service," Thurmond said. "I find it very disturbing that a top assistant in the National Security council staff, responsible for formulating and advising on our international policy, should be chosen from a milieu antagonistic to the work of the President."

This was a diplomatic way of stating a fact of life already evident to many in government—that the path to high honors in the state department is most easily traveled by Democratic holdovers.

## TAB (5(a))

[From the Evening Star and Daily News, May 9, 1973]

## HUNT HAD EASY ACCESS TO STATE DEPARTMENT CABLES

(By Oswald Johnston)

Apparently under instructions to search out evidence linking President John F. Kennedy and the 1963 assassination of South Vietnamese President Ngo Dinh

Diem, Watergate conspirator E. Howard Hunt routinely won access to State Department files in 1971 upon request of a junior member of the White House staff.

According to the still sketchy records and memories of department officials, a brief telephone call from David Young, a National Security Council staffer assigned to former White House domestic chief John Ehrlichman to study security classification, was enough to give Hunt access to thousands of classified State Department cables dealing with the period before and immediately after the overthrow of Diem.

According to a penciled notation by a minor official in the department's management division, Young placed the call Sept. 20, 1971, to William B. Macomber Jr., then deputy undersecretary for management.

In consequence, Hunt spent Sept. 20 through 22 rummaging through cables between Washington and Saigon sent between April 1 through Nov. 30, 1963.

Most of the cables were classified, and Hunt had access to at least one top secret, limited distribution department "backchannel" cable file. He made photo copies of 240 cables, including top secret ones, and took them away with him.

Department officials asked Macomber, now ambassador to Turkey, by telephone last night, but learned that he had no recollection whatsoever of a request from Young to let Hunt examine the 1963 files.

According to grand jury testimony from Hunt released Monday at the Pentagon Papers trial in Los Angeles, the photo-copied cables he took with him provided the raw materials for cables Hunt later fabricated allegedly on White House orders, and showed to a reporter in an attempt to implicate Kennedy in the Diem assassination.

No records have so far been unearthed in the department showing that Hunt was subjected to any security clearance check before he was allowed to see the files.

Department records gave no indication whether Hunt or Young gave a reason for gaining access to the file.

Macomber had dealt frequently with Young in his capacity as White House expert on security classification, department officials said.

During the summer of 1971, Macomber also dealt with Young over questions regarding the Pentagon Papers leak. Young was detailed in July 1971, in the aftermath of the Pentagon Papers episode, to Ehrlichman's security classification study.

Hunt, originally hired by the White House as a covert operative to probe press leaks, has implied in sworn testimony before the federal grand jury investigating the Watergate case that his search of the State Department cable file was directly related to his White House duties as "plumber."

"I saw that arrangements were made so that I was able to enter the State Department's file room . . . watching cables that would verify the authenticity of the material that had already appeared in the press," Hunt testified.

But the State Department disclosure yesterday that Hunt's search was limited to the period of the Diem coup, April to November 1963, seriously undercuts this claim.

The Pentagon Papers, as they appeared in newspapers during the summer of 1971, included documents covering nearly 20 years of U.S. involvement in Indochina under four administrations.

Inquiries by State officials probing the incident suggest that Hunt refused to discuss his motives with secretaries and staff in the department's Central Record Room, where he read the cables.

Records in the case are few, it appears. Hunt does not seem to have signed any vouchers when he began to take classified material from the record room to copy. But staffers there were alert to the unusual nature of what he was doing, and a log of the material he copied was kept.

Answering questions on the incident at yesterday's regular department press briefing, spokesman Charles W. Bray III described the department's acquiescence to Young's White House request on Hunt's behalf as "routine," and indicated a similar request in the future would likewise be obeyed.

"When a staff member in good standing at the White House makes a request, we tend to respond to it," Bray explained. "We assume a certain institutional authority. That is part of our role in this government."

Bray added, somewhat ruefully: "It turns out the authority was uncertain. Obviously, and in retrospect, this particular request turns out to have been far from routine."

In further grand jury testimony made public Monday, Hunt alleged that fabrication of the cables was carried out under orders from former presidential counsel Charles W. Colson.

**TAB #5(B)**

[From the New York Times, May 9, 1973]

**HUNT WAS GIVEN ACCESS TO 240 VIETNAM CABLES**

(By Bernard Gwertzman)

WASHINGTON, May 8.—The State Department acknowledged today that E. Howard Hunt Jr., a Watergate conspirator, was given access to secret Vietnam diplomatic cables in 1971 at the request of David R. Young Jr., then a White House aide.

Charles W. Bray 3d, the department spokesman, said that Hunt was permitted to see all cable traffic between Washington and Saigon between April 1 and Nov. 30, 1968, and was allowed to take copies of 240 cables away with him.

According to Watergate grand jury testimony made public during the Pentagon papers trial in Los Angeles yesterday, Hunt said that another White House aide, Charles W. Colson had asked him to examine the cables as part of a plan to forge a State Department cable linking the late President Kennedy with the assassination of the South Vietnamese President, Ngo Dinh Diem, in November, 1963.

This was the first time that the State Department has been brought directly into the Watergate affair, and Mr. Bray seemed clearly unhappy as he had to answer dozen of questions at the regular noon news conference.

According to Mr. Bray, "on or about Sept. 20, 1971, there was a request from a member of the White House staff—Mr. Young—that Mr. Hunt be given access to cable traffic to and from Saigon between April 1 and Nov. 30, 1963."

Mr. Bray said that Mr. Young, who had been detached from Henry A. Kissinger's National Security Council staff to work for the Domestic Council under John D. Ehrlichman, telephoned William B. Macomber Jr. with the request that Hunt be allowed to see the classified cables.

Mr. Macomber, now the American Ambassador to Turkey, was then the Deputy Under Secretary for management.

Mr. Bray said that "I am not certain that a purpose was stated in connection with the request."

"But I do not know from records that Mr. Hunt, who worked for at least part of one day and perhaps more, would not divulge his purpose in inspecting the cable traffic in the records service division," he said.

There were many questions from newsmen whether it was proper for the State Department to allow someone like Hunt—who was then working as a part-time consultant to the White House—to have access to such documents.

Mr. Bray said that when a White House staff member, "in good standing" asks the State Department for assistance, the department complies.

Asked whether Secretary of State William P. Rogers knew of the affair, Mr. Bray said that the first Mr. Rogers learned of Hunt's access to the documents was when he read news reports from Los Angeles yesterday.

[From the Des Moines Register, Mar. 17, 1973]

**COMPLAINTS ON NOMINEE NOT PROBED**

**SENATORS INDIFFERENT TO CHARGES**

(By Clark Mollenhoff)

WASHINGTON, D.C.—The Senate Foreign Relations Committee has virtually ignored "the most serious charges" against Deputy Undersecretary of State William P. Macomber in giving tentative approval to his nomination as an ambassador.

The serious charges include condoning perjury, falsification of records, arbitrary treatment of Foreign Service officers and personal misrepresentations of the facts to the Secretary of State and members of Congress.

The charges have been levied by top officers of the American Federation of Government Employees (AFGE), the largest federal employee union, in and by present and former Foreign Service officers.

Macomber has been in charge of personnel administration at the State Department the last four years.

The Senate Foreign Relations Committee has not even questioned Macomber under oath on the charges made or reiterated earlier this week and Chairman J. William Fulbright (Dem., Ark.) says it "would be an exercise in futility, because the committee members don't really care."

"I suppose I could have the staff investigate the charges and could call Macomber in for questioning, but I'm tired of being a one-man opposition to the Nixon administration nominations and policies," Fulbright said.

Instead of the committee members being upset about the charges against Macomber made by AFGE and Foreign Service officers, Fulbright said, "Macomber comes in here with the best sponsors possible—Senator (Mike) Mansfield, the majority leader, and Senator (George) Aiken (Rep., Vt.) the senior Republican member of the committee

#### BIG RECEPTION

"Senator Aiken is even planning a big reception for Macomber to celebrate his confirmation."

AFGE President Clyde M. Webber said he cannot understand why the Foreign Relations Committee paid so little attention to the charges against Macomber. He noted that various Foreign Service officers have given testimony setting out the evidence of perjury in various hearings, of wide-scale falsification of records and of misrepresentations and allegations on Macomber's indirect and direct involvement.

Xavier M. Vela, president of Local 1534 of AFGE, Bruce N. Gregory, president of the AFGE Foreign Affairs Council, and Bernard Wiesman, president of the local that has jurisdiction in the U.S. Information Agency, are the "responsible officers" who signed a bill of particulars against Macomber, Webber said.

"To our knowledge, although a number of grievance determinations have established instances of improper if not illegal actions by managers or supervisors, none of those persons responsible has been reprimanded or otherwise held accountable," the bill of particulars stated.

"Our concern, one that we hope the Senate shares, is that just as employes are subject to disciplinary actions and poor performance ratings, management be held accountable for its mistakes," the statement said.

The more specific charges have been made by Mrs. Charles W. Thomas, widow of a Foreign Service officer who committed suicide after being "selected out" on the basis of erroneous filing of records, and by former Foreign Service officer John Hemenway.

Hemenway has accused Macomber of condoning perjury and rigging the procedures against him, as well as permitting false documents to be circulated to misrepresent his case.

Mrs. Thomas alleged perjury, condoning perjury, falsifying documents and misrepresentation to Congress.

#### OTHER CASES

John Harter, a Foreign Service officer and economist, charged that Macomber personally intervened in his case and caused him to be illegally selected out. The hearing he obtained over Macomber's objections resulted in his reinstatement and a promotion.

Harter provided documents to the committee that he said establish and corroborate Macomber's illegal and improper role. However, the committee staff reviewed them only casually and indicated to Harter that they would not be included in the printed record but would be "on file with the committee." He also charged that Macomber made misrepresentations to the secretary of state and to Congress on his case.

Allison Palmer, a female Foreign Service officer, alleged sex discrimination prevented her from being promoted. She charged that Macomber, who was the equal opportunities officer for the State Department, conspired against her to permit removal of documents from her file that would have clearly established discrimination.

Miss Palmer is currently involved in litigation charging that Macomber was personally responsible for attempting to destroy her career.

Carl Marcy, chief of staff of the Foreign Relations Committee, said he is aware of the serious nature of the charges leveled against Macomber and is aware various Foreign Service officers have submitted documentation they contend substantiates their charges.

Marcy said he is also aware that the protest against Macomber's nomination by the AFGE is unprecedented, but "I only do what the committee tells me to do and none of my 17 bosses has indicated that they want Macomber called and questioned under oath."

Marcy acknowledged that "Bill Macomber is a good friend of mine, but I would direct an investigation if that is what the committee wants."

#### MANSFIELD GONE

Majority Leader Mansfield, who delivered what Fulbright called "practically an eulogy on Mr. Macomber," was out of the city Friday and unavailable for explanation of his views on the charges against Macomber.

Senator Aiken said that he didn't know "exactly what the charges against Macomber are" and he hadn't read the communications from the AFGE.

"All I know is that some of these same complaints about Mr. Macomber have been kicking around for months and years and are old hat as far as I'm concerned," Aiken said.

He said he didn't know whether Macomber had been questioned in detail on the specific charges raised by Hemenway, Thomas, Harter and Palmer, but added: "I listened to the charges by Hemenway and the others, and the staff didn't point anything out in particular. In that committee we rely heavily upon the staff to call our attention to what's important."

Senator Gale McGee (Dem., Wyo.) said he knew the AFGE to be a responsible organization and viewed the charges "to be serious, if true."

"We've been over all of this many times and never resolved anything as to who was responsible for the wrongdoing," McGee said. "We've questioned Macomber on some of this and the staff has talked to him about it."

"I got the impression that the staff didn't think much of the charges and that it was all pretty vague," McGee said.

Senator Hugh Scott (Rep., Pa.), the Senate Republican leader and a member of the committee, said he was "only vaguely familiar" with the AFGE charges and testimony of Foreign Service officers.

#### LITTLE TO SAY

"We on the minority side have little to say about how things run in that committee and we wait for the chairman to direct the staff to investigate," Scott said. "I don't know the merits of the case and if I did it wouldn't make any difference because the majority party rules."

AFGE President Webber said that he plans to write another shorter, more pungent letter setting out the case against Macomber that will be delivered to all of the members of the Foreign Relations Committee "and perhaps to all members of the Senate."

[From the Washington, D.C., Sunday Star and Daily News, May 13, 1973]

#### KISSINGER PROBES "BUG" OF AIDE

(By George Sherman)

Presidential adviser Henry A. Kissinger said yesterday that he has asked for a full report from the FBI early this week about wiretapping on a member of his National Security Council staff.

During a White House briefing, Kissinger refused to say whether he knew that the home telephone of an aide was being tapped during 1969, or whether he had received any information from that surveillance.

Last Thursday, Assistant Atty. Gen. Henry E. Petersen, in a memorandum filed with a federal court in Los Angeles, revealed that the FBI had eavesdropped on the Bethesda home telephone of Morton Halperin from the spring of 1969 to June 1971. Halperin, a key defense witness, was a member of Kissinger's National Security Council staff until September 1969.

Yesterday, Kissinger refused to mention Halperin by name. But he did say, "I never received any information that cast doubt on his loyalty or discretion." The departure of the aide, he said was "totally unconnected with any security investigation."

He seemed to be indicating that, if he had ever received any report on Halperin, it contained no information questioning that aide's "loyalty or discretion."

Kissinger also went to unusual lengths yesterday to argue that any intelligence data that came through his agency's hands had come from regular government channels.

That seemed to be an attempt to put down any suggestion that members of his staff set up their own intelligence-gathering operations, as was the case with a White House group—called the "plumbers"—set up by former White House aide John D. Ehrlichman to stop leaks of government secrets to the press.

The "plumbers" group, while it made some use of government intelligence channels, such as the Central Intelligence Agency, basically operated on its own outside normal channels.

One member of the "plumbers" group was David Young, who had been a member of Kissinger's staff until July 1971. He was transferred to Ehrlichman's staff and assigned to the "plumbers." That group has been accused of using illegal methods to get the data it sought about leaks of secret papers.

"My office," Kissinger stressed yesterday, "has not been aware of or handled any information through other processes" beyond the CIA, the FBI and regular intelligence organizations.

Kissinger refused to say anything more about Halperin until he receives the FBI report, he said.

Wiretapping on the phones of Halperin and several other still unnamed officials, plus a number of reporters, was apparently carried out because of alarm in the Nixon administration over "news leaks" it considered damaging to national security.

Under administration policy, eavesdropping could be ordered by then-Atty. Gen. John N. Mitchell without advance court approval.

As a member of Kissinger's staff, Halperin would have had access to classified documents and materials as a routine part of his work. It was not clear whether FBI surveillance of his telephone was related to that.

In a carefully worded statement issued yesterday, Kissinger said that only "an infinitesimal number" of reports he received from intelligence agencies involved allegations of mishandling of classified data by staff members. These amounted to "very few cases," he said.

"In the overwhelming majority of cases," he said, reports concerning national security come to his office "at the direction of the director of Central Intelligence and duly constituted authority in the intelligence agencies."

The "overwhelming majority" of such reports, he said, "concern foreign intelligence."

Kissinger expressly declined to discuss "individual cases" about his office and security reports.

[From the Congressional Record, Sept. 28, 1971]

#### THE QUADRIPARTITE AGREEMENT ON BERLIN OF SEPTEMBER 3, 1971, AND THE FOREIGN SERVICE

(By Hon. John M. Ashbrook of Ohio)

Mr. ASHBROOK. Mr. Chairman, during the last 5 years I have on several occasions called attention to serious personnel problems in the Foreign Service. My reason for doing this was primarily because the evidence available indicated that there was an intimate connection or correlation between these personnel problems and the general issues of our foreign policy, our national security and even the relations between the State Department and Congress.

Whatever the original causal connection between these personnel issues and these general national security issues, I was struck with the fact that whenever there was a deep crisis in our foreign policy, there appeared to be a crisis also in the Foreign Service personnel system. The two appeared so regularly together, that they constituted what in scientific language is called a syndrome. Whenever one appears, the other also appears.

The most recent such syndrome concerns the so-called Quadripartite Agreement on Berlin of September 3, 1971.

As you will recall, this agreement was negotiated and signed with great secrecy. When its terms were finally announced, the State Department claimed that it represented a major diplomatic victory for the United States, that it eliminated the occasions for future Berlin crises, and that it would help achieve stability and peace.

The ink was scarcely dry on that quadripartite agreement, when a major dispute immediately broke out between the West German Federal Republic and the East German regime as to what the "agreement meant." Certainly, the State Department had given the American people such clear assurances about the purposes and content of that agreement, and the solemnity with which all parties viewed it, that such a disagreement immediately after signing hardly was conceivable.

In order to document the origins of the current dispute over the treaty, I request permission to place into the Record two items which had appeared in the press in the last week. The first is a news item which appeared in the Washington Post on September 28, filed by that paper's foreign correspondent in Bonn, John M. Goshko. It indicates the nature of the dispute about the Berlin agreement of September 3, 1971.

The second is an article which appeared 3 days earlier, on September 20, 1971, in the monthly magazine *Tactics*. This article not only analyzes comprehensively the terms of the Quadripartite agreement of September 3, 1971, but also reveals the concessions which the United States made to the Soviet Union and the East German regime. It is in this light in which the current dispute over Berlin should be seen.

*Tactics* states that the legal experts it has consulted have concluded that this quadripartite agreement is a "disaster" for the West. In fact, the magazine claims the disaster is—

More severe than those of the Yalta and Potsdam agreement, or the building of the Berlin Wall.

I believe every American should read these two reports together. Together they explain fully the terms of that accord and place them in the perspective of other national foreign policies which are still emergent.

There is another reason why every American should read these two articles together. This is because *Tactics* reports the names of the authors of the Berlin agreement and the influences they have had on its formulation.

In this connection, I should like to remind the Members that during the last several years I have repeatedly called their attention to the "selection out" or firing of John Heminway by the State Department. His last assignment in the Foreign Service and State Department was as the Berlin desk officer in Washington, responsible for communicating our Berlin policies to the field. While in that post, he concluded that two of his superiors were no longer implementing the established foreign policy of the United States in Berlin. When he called this fact to the attention of senior State Department officials, he was "fired" through "selection out." His case is still under review in the executive branch to ascertain whether "malicious and untrue statements" were used in producing his "selection out."

It is quite clear to me that if Mr. Heminway had continued to be the Berlin desk officer, the problems and misunderstandings with which we are confronted today in Berlin would not have arisen.

Aside from the personalities involved in the *Tactics* article, the treaty-making aspects of Quadripartite agreement are of immense importance. Is the agreement, as *Tactics* claims, in actuality a treaty under the classification of an agreement. If so, I am sure the U.S. Senate will find this issue of great interest. Just recently the Senate Foreign Relations Committee released a study by the Foreign Affairs Division of the Library of Congress entitled, "The Senate Role in Foreign Affairs Appointments" which deals with "the role of the Senate in making appointments relating to the conduct of foreign policy." In the preface to the study the chairman of the Senate Foreign Relations Committee, Senator FULBRIGHT, stated that "a study of the constitutional powers to make treaties and executive agreements is ready to be undertaken." If the charges made in the *Tactics* article concerning the Quadripartite agreement are correct, perhaps a review of this agreement will provide interesting material for the upcoming study.

The two above-mentioned items follow:

[From the Washington Post, Sept. 28, 1971]

### GERMANY'S BREAK OFF TALKS ABOUT BERLIN

(By John M. Goshko)

**BONN.**—The latest effort to resolve the deadlock between the two Germanys over implementation of the four-power Berlin agreement was broken off today after only 30 minutes of discussion.

This abrupt ending to the meeting in East Berlin repeated the pattern that has been evident ever since the "Inner-German phase" of the Berlin negotiations began earlier this month. No date was set for the next meeting.

The four-power agreement, signed on Sept. 3, will not become final until East and West Germany agree on the practical steps necessary to implement its provisions.

However, these talks, being conducted principally by West German State Secretary Egon Bahr and his East German counterpart Michael Kohl, have been stalled from the outset over differences in interpreting the agreement's text.

In particular, they have been arguing over a German-language version of the agreement. A German translation had been agreed to by all parties before the Sept. 3 signing, but the East Germans have since contended that they are not bound by that and have tried to substitute their own translation.

Armed with its text, East Germany has insisted on interpreting the agreement to mean that it can negotiate separate accords with the authorities in Bonn and in West Berlin on access to the city and East Germany. Bonn has insisted on a single German-level access agreement to be negotiated by West Germany.

Last week Chancellor Willy Brandt visited Soviet Communist Party leader Leonid Brezhnev, and is believed to have asked for his assistance in making the East Germans more cooperative. Brandt is understood to have reminded Brezhnev that Bonn's treaties with the Soviet Union and Poland cannot be ratified until the Berlin accord is complete.

Although the Bonn government will not even admit that the matter was discussed, the impression is that Brandt received satisfactory assurances from the Soviets. Informed sources here say, however, that no change can be expected in the Bahr-Kohl talks until they have gone through several more sessions.

This was underscored by Bahr today on his return to West Berlin. He told reporters that he and Kohl were still at an impasse over the German text, and said: "In the circumstances, it was not possible to continue the factual negotiations on traffic questions.

On the other side, the East German news-agency ADN issued a report accusing Bahr of delaying tactics. It said Kohl "regretted the West German attitude and reiterated East Germany's willingness to conclude the negotiations quickly.

### U.S. POLICY REVERSAL INCLUDES WEST GERMANY AS WELL AS CHINA

(By the Insider)

While world capitals have been preoccupied with the potential disaster to the free world from President Nixon's upcoming trip to Peking, an actual disaster already has taken place in Europe. Legal experts say this disaster is "more severe than those of the Yalta and Potsdam agreements, or the building of the Berlin Wall."

Its official name is the "Quadrupartite Agreement on Berlin of Sept. 3, 1971," actually signed on Sept. 4, and is also referred to as the Berlin Accords, the Berlin Agreement, and more realistically, the Berlin Treaty. As a matter of fact, it is a six-power treaty binding on the United States, France, the United Kingdom, Soviet Union, Western Federal Republic of Germany, and the Eastern, so-called German Democratic Republic.

In effect, it is the peace treaty ending World War II, on terms reflecting practically a total victory for the Soviet Union. So far as American foreign policy is concerned, it extends to Europe the same concepts and principles as did the American policy shift in Asia from the free Republic of China to Communist China.



## CAPITULATIONS REJECTED BY PRECEDING PRESIDENTS

In the same manner as we have abandoned Free China as the sole, legitimate spokesman and heir to Chinese national statehood, the United States under this treaty abandons its support of the Federal Republic of Germany as the sole legitimate successor to German statehood.

Through this treaty, the U.S. State Department, with the endorsement of the White House, has reversed 25 years of American foreign policy initiated by President Truman, sustained by President Eisenhower; and preserved even by Presidents Kennedy and Johnson despite all the efforts of their pro-Soviet advisors to appease the communist bloc.

A decisive concession that even President Kennedy was not prepared to make now has been granted to the Soviet Union and the East German regime. There are today three Germanys.

They are the Federal Republic, our ally; the East German so-called German Democratic Republic, the Soviet puppet, and an extraordinary entity called "the sectors of West Berlin," which has no international standing, and at best will be no more than a new Danzig.

As Danzig was the immediate cause and pretext for World War II, this new, unstable "sectors of West Berlin" may well have within it the seeds of World War III.

Supposedly, all this was done in the name of international peace and a reduction of tensions in Europe. Just as supposedly, the seating of Red China in the Security Council was to be done in the name of international peace and a reduction of tensions in Asia.

What, in fact, does the Berlin accord of Sept. 3 provide? The agreement affects Allied rights both in Berlin and in Germany as a whole.

First, and for the first time the accord legally recognizes the legitimacy of the Berlin Wall by omitting all reference to the Soviet "sector" of Berlin, or even to the eastern sector of Berlin. Instead of these clear political and legal terms, the treaty describes the Berlin sector as "areas bordering" on the Western sectors of the city. Thus even that earlier distinction which the United States made between Berlin's Soviet sector and the Soviet zone of Germany has been eroded.

## SERIES OF CAPITULATIONS

Secondly, while totally bowing to the Soviet Union on the issue of the Soviet sector, the United States and its Western allies also have capitulated to the Soviet positions by admitting there is no such thing even as West Berlin.

Up to Sept. 3, the Allies had steadfastly insisted that there was a single Berlin governed by a single allied body, the Kommandatura, which the Soviet Union was boycotting because the Western Allies had refused to allow the Russians to paralyze that body by vetoes within it.

In the Sept. 3 accord, the United States conceded the Soviet position, and admitted there was no such thing as a single body, but solely three sectors in West Berlin. Consequently, the term, "West Berlin," which President Kennedy substituted for the term, "Berlin," after the building of the Berlin Wall, no longer has any legal or political meaning, and is reduced solely to a geographic expression, with no significance.

On top of these major concessions, the Western Allies collectively and individually acknowledge that while they have no rights in the Soviet sector, the Soviet Union does have rights in each of the Western sectors of Berlin equal to the rights each of them enjoy in the other Western sectors.

That is, the Soviet Union has the same rights in the French sector as the United Kingdom and the United States have. Or reciprocally, the Soviet Union has the same rights in the U.S. sector as the French and United Kingdom governments have.

These Soviet rights are to be exercised through the Soviet consulate general which, under the terms of the agreements, must be accorded the same rights in each Western sector that each Western power accords to the consulates of the other two Western powers in its own sector.

Even this is not the end of the concessions to the Soviet Union. Up to now, the three Western powers, to emphasize the fact that they were acting legally as a single entity, have issued passports—travel documents—to Berlin residents from a single allied office. Irrespective of the sector in which the residents lived.

This allied travel office was located in the office of the quadripartite Allied Control Council in the American sector of Berlin.

Under this treaty, no Berlin resident traveling to the Soviet Union or any Soviet bloc country will receive such a document. Instead, he will receive a so-called "passport," issued by the Federal Republic, into which its stamped the legend, "Issued in accordance with the Quadripartite Agreement on Sept. 3, 1971."

This is the most humiliating document ever imposed on Western Germany by the Soviet Union and by West Germany's allies, because by issuing such a document to West German residents, the Federal Government of West Germany will be acting "in a consular capacity." This means it formally and solemnly recognizes that Berlin is not now and will not in the future be part of West Germany.

West Berlin thus becomes foreign soil to West Germany. This is precisely what the Soviet Union has been seeking by all possible means for 25 years.

#### FRUIT OF ROGERS-KISSINGER WORK

This development, in light of the Rogers-Kissinger doctrine of appeasement of communist states, will disconcert but not surprise informed observers. The question arises, however, as to why and how the Western, republican government of Willy Brandt could legally and politically agree to it.

The fact is that the Brandt government, in agreeing to this Berlin accord, did so in a manner that violated the West German Constitution. The Federal Republic's Constitution clearly distinguishes between the office of the federal President, in whom the function of national sovereignty is incorporated, and the office of the prime minister, the chancellor, which only reflects the role of governments, as they come and go under the electoral process.

Consequently, the claim of the Federal Republic to be the sole, legitimate bearer of statehood—nationhood—is not incorporated in the offices of the government, in Willy Brandt's as chancellor, but in the office of the President, Gustav Heinemann, as head of state.

He is elected by the Bundesversammlung, the national congress that consists of all the members of the Bundestag, equivalent to the U.S. House of Representatives, and the Bundesrat, similar to the U.S. Senate. Acting jointly, as an electoral college, they elect the President.

In contrast, the chancellor is elected solely by the Bundestag. The composition of the Bundestag is determined by popular vote according to proportional representation. The members of the Bundesrat are appointees of the "laender," or states.

Hitherto, the national congress met in West Berlin, usually flown in by American planes, and there elected the national President. But under the new agreement, the American government, Western allies, and West German government that sits at Bonn, all formally and solemnly agree that the President can no longer be legally elected in Berlin.

This, too, is one of the major objectives which Moscow has been fighting for during the past quarter of a century.

This phenomenal reversal of all past American foreign policy, remarkably enough, did not come about because of any current Berlin crisis. In fact, there was no crisis in Berlin at all. The reasons, therefore, are not to be found in pressures coming from Moscow but in the secret, "privileged" internal documents of the State Department and the White House.

The Berlin accord of Sept. 3, 1971, is the result of the Rogers-Kissinger appeasement of Soviet Union and Red China. This is the primary source.

Besides William Pierce Rogers and Henry Alfred Kissinger, its main authors are Helmut Sonnenfeldt, special adviser to Kissinger, Martin J. Hillenbrand, assistant secretary of European affairs in the State Department, James S. Sutterlin, director of German affairs in the State Department, and Jonathan Dean, counsellor for political affairs in the American Embassy in Bonn.

Sonnenfeldt leaked information to Nelson Rockefeller and Kissinger when engaged in intelligence research in the State Department. This is related to the secret group that has consistently worked toward an appeasing arrangement with the communist nations. Sonnenfeldt, like Kissinger, is German-born and a refugee. As a Soviet expert in the State Department, Sonnenfeldt assured President Kennedy that Moscow would never place missiles in Cuba. Although lacking foreign service, Sonnenfeldt was appointed by President Nixon in August, 1970 to be foreign service officer, class 1, a top position. He still lacks foreign service. His relationship to Kissinger is sufficient!

## PROTEGE OF AMBASSADOR BEAM

Hillenbrand is a protege of Jacob Beam, ambassador to Moscow, whose Warsaw embassy became notorious for its sex and spy scandals.

Serious security charges were raised when Sutterlin was promoted to foreign service officer, class 1, in 1968. Dean has long been an advocate of strong Soviet-American ties and a dismantling of the North American Treaty Organization (NATO).

These officers, and others with their outlook, succeeded to positions of power following the elimination of several American foreign service officers from key posts on the German desk in the White House, the State Department and at Bonn, who had been accurate on Soviet encroachment, and recommended that we resist red expansion in Europe through traditional American policies.

Significantly, the Berlin agreement of Sept. 3, 1971 was brought about without any role in it being filled by the American Mission in Berlin, which is known to regard it as "disastrous."

Equally significant, a purge similar to that carried out on the German desks also took place among the China experts in the State Department. Indeed, the rationale for the retention and even elevation of the most pro-Marxist and appealing element in the State Department—the holdovers—is to be found in the fact that only they would tolerate such deals.

The short and even crude shrift given to those who did not fit into this category is understandable only from this standpoint.

## SHOVED BY UNITED STATES TOWARD REDS

U.S. policy seems designed, in effect, to give our friends no alternative but to reject us and join our enemies, as has been the world pattern. One needs only to look at the map, and try to make any sense out of the no-win, self-destructive manner in which our military have been hamstrung by no-win policy in Viet Nam, as it was in Korea.

So far as the so-called principal beneficiaries of this agreement—the West Berliners—are concerned, they no longer even know whether they are German nationals any more.

When they travel to the Soviet Zone or to any other country, they must have two documents—one the worthless passport and the other an identity card issued by the local authorities in the district of the sector where they live.

Should they accidentally have any problem with the police in a communist country, the East German, communist government has as much claim to handle their case, in the specious role of their "protector," as the West German government.

This cynical arrangement also is the fruit of the Sept. 3, 1971 agreement. If the Nixon administration were determined to push West Germans into the red embrace, such steps would be the obvious procedure. The success of this sort of maneuver can be attributed to highly skilled exploitation of the so-called "pragmatic approach" of the U.S. government, and its obsession with present opinion polls and the upcoming national elections.

If these West Germans are prudent, under the circumstances described, and want effective consular services, they will find it advisable not to even show the new, so-called quadripartite, West German "passport." Can anyone believe seriously that once a West Berliner is "protected" by the East German, communist government, that this person thereafter will be left alone? He certainly will be expected to reciprocate the services that he has been rendered, and give evidence of loyalty to his new "protectors."

He will know, too, that basically, he has to thank the U.S. government for his predicament, for without it, the nefarious deal could never have been put over. This American role even has come out on the floor of the Congress. If a Democratic administration were in office, there would have been a tempest over it.

But the fact of it being a Republican administration has stymied most critics in the Republican Party, and allowed only decorous whispers of it to come up, as in the colloquy on the Senate floor on Sept. 17 between Hugh Scott (R-Pa.), as minority leader and Mike Mansfield (D-Mont.), as majority leader.

Mansfield, referring to "the Berlin accord," said: "The President played a very significant personal part at a critical point in bringing that to fruition."

This was an extraordinary revelation that was not referred to by any of the news channels. By it, though, the astute Mansfield was pinpointing the responsibility for history, and future American elections, as the opportunity arises.

Thus we have outlined the supposed great benefit gained for stalwart West Berliners under the Rogers-Kissinger doctrine. We have a warning in this, too, of the kind of benefit that awaits the Chinese people, on the Chinese mainland as well as on Taiwan, under the same Rogers-Kissinger approach.

#### OUTDOES EVEN MACHIAVELLI

This secret diplomacy extends even farther, as a capitulation, than in the dark days of Machiavelli.

Actually, it is unconditional surrender by the U.S. government, as demonstrated by the unprecedented consent it has given, sight unseen, to a still unwritten paragraph in the Sept. 8 agreement, entitled:

"Final Quadripartite Protocol."

The section numbered 2, declares:

"The four Governments proceed on the basis that the following agreements and arrangements concluded between the competent German authorities shall enter into force simultaneously with the Quadripartite Agreement: (to be filled in after agreements concluded.)"

In practice, under such circumstances, "competent German authorities" means the German Soviet regime, for the West Germans, left adrift this way, are in no position to assert themselves. The East Germans already simply have refused to admit the West German representatives to discussions on this matter.

In addition to the American officials mentioned, the principal authorship of the Berlin treaty rests with Egon Bahr, special political adviser to Willy Brandt. He met secretly several times with Henry Kissinger and Helmut Sonnenfeldt in Washington.

Following these meetings, he communicated secretly with Soviet officials with whom he has had contacts for more than 20 years. Bahr's main political goal is reputedly to reunify Germany as the principal ally of the Soviet Union, to drive the United States out of Europe, and to establish a Berlin-Moscow Axis.

So far as the U.S. Congress is concerned, it simply has not been provided with information by the Nixon administration, and has had to depend on the American press for what it knows. The press, though, has at best acted as a mouthpiece for the official line, much as does Tass news agency.

Tass portrays the deal as a victory. But the American newspapers and radio-television conceal this claim, describing the deal as a great, American diplomatic achievement.

Actually, the Berlin action by U.S. authorities has produced a treaty of prime importance to the United States. Congress has the right and responsibility to receive full information and to engage in discussion and debate of it before it goes into effect.

Congress, instead, has been glaringly humiliated by learning about it after signing, and then primarily from the press.

#### UNITED STATES IS BOUND BY IT

Indeed, the treaty already is in effect, even in its unfinished state, through semantic hocus-pocus by the Executive Office. The word, treaty, is replaced by its synonym, agreement. Yet it is binding on the U.S., just as if recognized for what it is, a treaty. As such, it falls within the purview of Congress.

If such procedure is allowed to prevail, it puts the Congress into the category of a sounding board and a rubber stamp, as with the so-called parliaments of communist countries. Congress has the responsibility of demanding that a treaty, under whatever name it passes, be handled as a treaty, or be invalid.

Otherwise this extended capitulation would set the legal precedent for parallel action in Asia, as well as in the Middle East. Withdrawal is not just from Vietnam, but is becoming total retreat.

The CHAIRMAN. Then that concludes this morning's hearing on Mr. Sonnenfeldt. We will now turn to social services, which we had already scheduled for 10 o'clock and we will come back to Mr. Sonnenfeldt's nomination this afternoon when we will ask some questions of Mr. Hemenway and we will also accord Mr. Sonnenfeldt an opportunity to respond to Mr. Hemenway's statement.

Senator BYRD. Before we go to the other matter, can I ask the Chair, the new Undersecretary of the Treasury will be recalled this afternoon, you say?

The CHAIRMAN. Yes; we will ask him to be here both to respond to the statement that was made by Mr. Hemenway and to make any statement he cares to make. I believe you were out of the room at the time I asked Mr. Sonnenfeldt if he had heard of charges that were made against him. He said that he did have some knowledge of them, but that those charges were without merit and had been looked into before and had been disposed of. You heard Mr. Hemenway.

At 3 o'clock we will then return to that subject after we have concluded the social services hearing, if not then as soon as we have concluded the social services hearing. At that point I will be happy to accord you the opportunity to interrogate Mr. Hemenway and Mr. Sonnenfeldt and also submit anything that you have that you want to interrogate the witness about.

Senator BYRD. I appreciate that. I will want to ask some questions of the nominee. We have a \$400 million bill on the floor this afternoon.

Senator BENNETT. Senator Curtis and I have a meeting at 3:30 p.m.

The CHAIRMAN. Well, I am perfectly content to do business however the committee wants to do business, gentlemen.

How would you like to proceed?

Senator BYRD. I would like to have some time in regard to the Sonnenfeldt nomination. I would hope that the floor work—

Senator BENNETT. I wonder if we couldn't come back at 9 o'clock tomorrow morning?

The CHAIRMAN. Why don't we try to finish today?

Senator BENNETT. We have the other two nominations out of the way. Why couldn't we come back at 9 o'clock tomorrow morning?

The CHAIRMAN. I would like to dispose of this matter today if we could. I think it is the kind of thing that even if we have to come here at 5 o'clock, it is just as well that it not go overnight without having both the allegations and the rejoinder so that both are available to the press and anyone else.

Senator BYRD. Whatever the chairman prefers, that is satisfactory with me.

The CHAIRMAN. Might I suggest that we resume the hearing on this subject at 2 o'clock. Would that give the Senators here a chance to ask the questions they would like to ask? We could resume at 2 o'clock. Otherwise I will go over until tomorrow if you want to.

Senator BYRD. I am willing to work anyway the chairman wishes to work. I do point out that we have this \$400 million bill on the floor.

The CHAIRMAN. Mr. Sonnenfeldt has to go to Paris with Dr. Kissinger in the morning, so I would suggest that we ought to settle this matter today, if we can, and at least hear the testimony from both sides. I would suggest that we come back in here at 1 o'clock and continue the hearing on the Sonnenfeldt nomination and at the conclusion of that, we can go back to the hearing about Social Services.

Then we will take Mr. Sonnenfeldt's nomination at 1 o'clock.

[Thereupon, at 10:25 a.m., the committee proceeded to other business.]

## AFTERNOON SESSION

The CHAIRMAN. Mr. Sonnenfeldt, you heard the testimony of Mr. Hemenway. I thought it would be well for us to have your response to that.

Do you have a copy of the document that he submitted to the committee?

## STATEMENT OF HELMUT SONNENFELDT—Resumed

Mr. SONNENFELDT. I do now, sir.

The CHAIRMAN. Then I would invite your comments and your reaction to what Mr. Hemenway has testified to here today.

Mr. SONNENFELDT. Thank you very much, Mr. Chairman.

I appreciate your scheduling this hearing this afternoon and I am glad that you did since I will have to be away for several days beginning tomorrow morning.

I have looked at the statement that was submitted to you. I had not, of course, seen it before this morning.

I would want to make only a few general comments on it and then respond to any questions that any of the members of the committee may have.

Let me say, first, in regard to the allegations contained in the document with respect to security violations on my part. These are the allegations that were made some years ago beginning in the Eisenhower administration. They are the allegations that as far as I am aware were investigated at that time and subsequently, although I personally was interrogated about these matters only in one sequence of interrogations, I believe in 1960 or 1961, but never subsequently.

I can only say that, as I believe I said before, that the allegations concerning the handing over of documents to a foreign government were inaccurate and have always been inaccurate. Allegations concerning unauthorized disclosure of information to the press and insofar as they relate to classified information, were inaccurate at the time and are inaccurate now. The findings that were made were not made by myself, obviously, they were made by the security machinery of the Government and by my superiors in the Department of State, and I remained in the Government subsequently through the next three administrations.

I myself, as I have indicated, have repeatedly taken care that these matters were reviewed again particularly when I went to the sensitive position that I was assigned to in the White House.

I can only conclude from that that the findings were as they had been earlier; namely, that these allegations were without foundation and were not cause for my dismissal from my position or cause for my not being given the responsibilities that I was subsequently assigned to in the Kennedy, Johnson, and Nixon administrations.

There are certain allegations in this document concerning my professional judgment in the Department of State. I will have to stand on my record on those, going back to the Truman administration when I first entered the Department of State and to the judgment of my superiors through the Truman, Eisenhower, Kennedy, Johnson, and Nixon administrations.

There are certain allegations concerning my conduct in the White House. Two specific matters are cited in which I was alleged to have

undertaken certain steps or actions. I am not in a position obviously to discuss the particular matters raised here since they are matters internal to the operation of the National Security Council staff. I can only indicate here again that everything that I have done at the White House was obviously subject to review by my superiors there and will have borne on the decision by the President to nominate me for the position of Under Secretary of the Treasury.

As a general matter, my position in the White House does not entitle me to make decisions but only to act on the basis of decisions made by my superiors, including the President, and that is what I have done there.

There are certain allegations concerning my transfer into the regular Foreign Service in this document. Incidentally, it is incorrect to state, as this document does, that this transfer carried with it greatly increased salaries for me, personally. There was certainly no change in it whatsoever. I had the rank of Foreign Service Reserve officer, class 1, step 3, when I was transferred into the Foreign Service as Foreign Service officer, class 1, step 3. There was absolutely no change in salary whatsoever. So there was no promotion in grade or rank, but simply a lateral transfer into the Foreign Service.

In any event, the procedure followed there was a normal procedure in which I applied to the Department of State for a lateral transfer before I went to the White House because it was suggested to me that my reassignment following my assignment in the White House would be a good deal easier if I were part of the Foreign Service rather than the Civil Service or the Foreign Service Reserve. And I applied in the normal fashion and I believe it took something like 1½ years for that procedure to run its course before my nomination was confirmed by the Senate.

I don't believe anyone at the White House even knew that I had made application for lateral transfer into the Foreign Service at the time that I went to the White House, so I know of nothing unusual in connection with that procedure. I, of course, know nothing about what files may have been shown to the reviewing panel since I had no control over either my personnel files or my security files.

I would state also for the sake of accuracy that the position I am being nominated for is not that of Deputy Secretary of the Treasury, as the statement indicates, but Under Secretary of the Treasury. That is simply for the record.

Those are the comments, sir, that I would make to you and I am available to any question that you, Mr. Chairman, or any of the other members of the committee may have.

The CHAIRMAN. I believe Senator Byrd wanted to interrogate you on a different matter than the one raised by the other witness, Mr. Hemenway. Senator Byrd must go elsewhere so I would call on him now.

Senator BYRD. Thank you, Mr. Chairman, Mr. Sonnenfeldt, I have read your biography and I see nothing in it that indicates experience in Government finances, or the field of taxation. Would you comment?

Mr. SONNENFELDT. Senator, the appointment that I have been nominated for does not relate to taxation at all. It is true that my prede-

cessor in this position dealt with tax matters, but this particular under-secretaryship, which also carries the title of Counselor—

Senator BYRD. The title of what?

Mr. SONNENFELDT. Of Counselor to the Department of the Treasury, is a position that is made available to the Secretary of the Treasury for use as he may deem necessary to assist him in the carrying out of his duties. Now, this particular Secretary of the Treasury, Secretary Shultz, was recently designated by the President to head an executive branch Committee on East-West Trade Policy. That is a new responsibility for the Secretary of the Treasury and, as I understand it, the Secretary felt that he needed a senior adviser in that particular area and therefore that he chose to use this vacancy of Undersecretary of the Treasury for that appointment. And that, I take it, was in his mind as the reason for recommending my appointment to the President. So that I will have no connection with taxation, nor will I have any overtax policy nor will I have any connection with finance as such, but rather with those matters in the Secretary's jurisdiction that relate to East-West trade and other matters of foreign economic policy that have security relations, relationships to our security policy and to our general foreign policy.

Senator BYRD. Well, who will handle the assignments, handled by Secretary Cohen?

Mr. SONNENFELDT. I am not in a position to answer that. I could get the information for you, sir, but I don't know what disposition Secretary Shultz has made about that particular function.

Senator BYRD. Who is your successor as a senior staff member of the National Security Council staff?

Mr. SONNENFELDT. Well, specifically, Senator, I don't believe that that has been determined yet. There is a reorganization that has been announced of the National Security Council staff involving the appointment of a number of deputy assistants to the President, but I cannot tell you at this time which of these gentlemen may take up some of the functions that I have performed there. I think that will have to be a decision that Dr. Kissinger will have to make when I actually leave the position.

Senator BYRD. Well, I'm curious why one whose background for the past two decades has been that of a specialist in Soviet affairs should be shifted to the post of Undersecretary of the Treasury, a post presumably quite removed from foreign affairs and the Soviet Union?

Mr. SONNENFELDT. Well, as I was attempting to indicate, the Secretary of the Treasury has been given a new function in the area of East-West trade and specifically in the matter of trade and economic relations with the Soviet Union, and that I believe, is the reason that the Secretary, Secretary Shultz, recommended this appointment, given my experience in this field and my involvement in some of the negotiations leading up to the agreement of last year. And that is why, as I understand it, the President decided to make this shift.

Senator BYRD. Well, where will your responsibilities and those of Ambassador Everley and those of Peter Flanigan, where will they overlap?

Mr. SONNENFELDT. Well, I am quite sure we will work quite closely. Ambassador Everley is the trade negotiator. I will not be a trade



negotiator. Mr. Flanigan is a White House assistant on foreign economic matters, and is in a coordinating position at the White House. I will be in a departmental position, and consequently I will presumably represent the Treasury Department on the Council for International Economic Policy when matters in my purview arise and in that case will be working very closely with Mr. Flanigan, but my position will be in the Treasury Department.

Senator BYRD. The charge has been made in the Paul Scott column of May 3, 1973, that you gave classified information to a foreign diplomat while serving in the State Department. Would you comment?

Mr. SONNENFELDT. Yes, sir. I commented on it before you came in. That is an allegation that was made in the late 1950's, in the Eisenhower administration, that I denied at the time because it was inaccurate. That was the subject of an investigation, and I believe subsequent review as well, as I continued my service in the Kennedy and Johnson and Nixon administrations thereafter, and that the investigations and reviews on these allegations were found to be without substance or presumably I would not be in my position.

Senator BYRD. Well, you did not give classified information to a foreign diplomat?

Mr. SONNENFELDT. I did not.

Senator BYRD. The Scott report states that as head of the Soviet section of the State Department, Intelligence Division, you discounted the view that the Russians were planning to put missiles into Cuba. Would you comment?

Mr. SONNENFELDT. I was one of the several analysts in the Department of State and other Government agencies that made estimates, and an estimate of the probability of such a course being taken by the Soviet Union through the summer and early fall of 1962 was being made. I was never called upon, as it happens, to make an independent and separate judgment on my own, but I participated in the national intelligence estimates that were written at the time, and various other estimates that were made.

My own view, as I recall it now, was that there was a possibility of this occurring. I had not considered this a strong likelihood because I thought that the outcome of the Soviets doing this would be, as indeed it was, namely, that they would be forced to withdraw their missiles by our counteraction, and for that reason my judgment was that, while the possibility existed, that when the Soviets calculated the risk, that they would probably in the end not do it.

That, I think, was a judgment that was generally shared on the basis of existing information. I might add as a historical footnote that I did at the time have my associates, and in which I myself participated, write a paper that discusses the possibility that the Soviets would indeed act as they did and what the implications of that would be, but the function that I occupied was not one in which I was called upon to make a final judgment myself. I participated in an estimating process in which the odds were weighed for and against.

Senator BYRD. If you are confirmed by the Senate, you would be in a position to help shape trade and credit policy toward Russia and Communist China, wouldn't you?

Mr. SONNENFELDT. I would be involved, yes, in the committee that has been established to shape those very policies, and I would have a

role in that, of course, in coordination with other Government agencies involved and ultimately subject to the approval of the President.

Senator BYRD. That would be your major role or major assignment as Under Secretary of the Treasury?

Mr. SONNENFELDT. My specific assignment in that regard would be to be the Secretary's principal adviser in matters of trade and economic relations with the Soviet Union and other Communist countries including China, when that really begins to become a reality, and Eastern Europe. I am scheduled to be the chairman of a working group that will work under Secretary Shultz's direction, involving and including the participation of other representatives from other agencies, and that is my specific assignment.

Now, I may be doing other things, as the Secretary may need assistance on other matters in which I have some contribution to make.

Senator BYRD. You are familiar, of course, with the agreement of last July 8 under which the Soviet Union agreed to purchase grains from the United States? Can you explain why it was necessary for the United States to grant a line of credit amounting to \$500 million in connection with this sale?

Mr. SONNENFELDT. Well, I would have to give you a personal judgment on this because I was not directly involved in that negotiation. I was peripherally involved in it.

Senator BYRD. It all ties in with your contemplated assignment, though.

Mr. SONNENFELDT. It will now, yes. I think the context in which that negotiation occurred was one in which we were extremely interested in exporting our grain surpluses as we had been for a long time, and the question simply was how best to promote this kind of export. The Soviets were interested in credit arrangements, and, as I understand it, the credit arrangements that were made were those provided for by the law; that is to say, 3-year credits under the Commodity Credit Corporation's procedures with the market rates for interest, and the arrangement was made in order to facilitate the export of the surpluses.

Senator BYRD. The Soviets, I would think, would have every reason to be interested in it because they gained very substantially, did they not, by such a deal?

Mr. SONNENFELDT. Well, I can only tell you that in some of the conversations that I participated in with Soviet leaders before this deal was discussed, that they were extremely negative about our credit arrangements in this area; that is, as far as they were concerned, a 3-year credit carrying some 6½-percent interest was almost as bad as having to pay cash. And since in their country interest rates are—well, they are very low, and interest is something that is rather opposed to their whole way of thinking about problems—well, I don't think from their standpoint that they thought that this was a particularly favorable arrangement. And in fact, they have repeatedly pressed for concessions in our credit arrangements, and, of course, we never made those concessions.

Senator BYRD. They are using our money?

Mr. SONNENFELDT. They are using our money, but they will be repaying it.

Senator BYRD. They are using our money to buy our wheat.

Mr. SONNENFELDT. That is right.

Senator BYRD. Do you believe that the price charged for the wheat exported to Russia under this agreement, which I understand was \$1.63 per bushel, was a realistic price?

Mr. SONNENFELDT. Well, I couldn't really comment on it professionally, Senator, because I am simply not familiar enough with the issue. My understanding is that the situation at that time was that we were not able to export our surpluses at our domestic prices, and, therefore, we were charging world prices and paying subsidies for the difference.

Senator BYRD. And the Soviet Union gained by those subsidies?

Mr. SONNENFELDT. I think that is correct. I think that our Government and everybody else learned from that experience, and I don't think that that will ever occur again.

Senator BYRD. So not only did they use our money to buy our wheat, but the taxpayers subsidized to a certain extent the purchase of the wheat?

Mr. SONNENFELDT. I think that is a correct summary. Of course, they bought a great deal more than the \$½ billion credit that was made available, so the remainder—and I am not sure exactly what the amount was; somewhat over \$1 billion—so the remainder was not on the basis of American credit, and I believe the first repayments on that credit will be coming due this year.

Senator BYRD. Of course, as a result of that deal, the price of wheat went from \$1.63, as I understand it, to \$2.25 by as early as September of last year?

Mr. SONNENFELDT. Yes, I am aware of the figures. I am really not particularly qualified to give you any more specific answers except that it is clear that if the Soviets come into our market again this year, that those kinds, that type of tolerance that occurred last time will not occur again.

Senator BYRD. Will not occur again because they were not appropriate, they were not wise, or why will they not occur again?

Mr. SONNENFELDT. Because I think, as I understand it, the subsidies have been taken off, and I think they will have to pay whatever prices are charged in our market.

Senator BYRD. This is a field that you will be handling, as I understand it, that you will be involved in?

Mr. SONNENFELDT. I will be involved in it, although the principal responsibility in this particular area is in the Department of Agriculture, but I will certainly make it my business to be concerned with it, yes.

Senator BYRD. Would you recommend that Export-Import Bank funds would be used in connection with Russian trade?

Mr. SONNENFELDT. Well, the President made a finding last fall that made the Soviet Union eligible for the facilities of the Export-Import Bank, and I believe the Bank has already negotiated a couple of credits with the Soviet Union. That is our policy. I believe that the Bank applied its strict standards to any transactions of this character with the Soviet Union or any other country as it should, and I think within those standards, and within the resources of the Bank, and with the banking judgment of the officials of the Bank, and I think

the general supervision of the mechanisms within our Government, I support the decision that has been made to make those facilities available to the Soviet Union.

Senator BYRD. You mentioned the resources of the Bank. Would you break down for the percentage that the United States puts in? The United States puts in a substantial percentage of the total assets of the World Bank, does it not?

Mr. SONNENFELDT. Well, I think we were talking about the Export-Import Bank.

Senator BYRD. The Export-Import Bank, I mean.

Mr. SONNENFELDT. I'm sorry, but I simply am not familiar with the precise manner in which this Bank operates. I believe the resources are all American resources. Now, how a particular deal is financed, that will be up to the American company and the Export-Import Bank and the Soviet authorities who make the deal. I would imagine that there is going to be multiple financing and possibly some cash payments of various kinds, but I think the actual decisions would have to be up to the Export-Import Bank as to what the risks are and what the proper banking judgment would be in each given instance.

Senator BYRD. Well, as you visualize it then, the Soviet Union will get the advantage of the facilities of the Export-Import Bank?

Mr. SONNENFELDT. It has those facilities now by Presidential finding as of last October. That was part of the entire trade and economic package that was negotiated that involved the settlement of the lend-lease debt.

Senator BYRD. You said the settlement of the lend-lease debt; now, what is the status of the lend-lease debt?

Mr. SONNENFELDT. It was an agreement that was made by which the Soviet Union would pay off the lend-lease debt, and I think the figure was something like \$720 million over a period of years.

Senator BYRD. Over how many years?

Mr. SONNENFELDT. I would have to refer to a document. I think the period runs coterminously with the other lend-lease settlements I think 2001. I think that is the length of the British agreement and the repayment agreement.

Senator BYRD. The \$700 million, is that the figure you cited?

Mr. SONNENFELDT. I think it is \$720 million.

Senator BYRD. \$700 million, is that the figure that the United States contends that Russia owes on the lend-lease?

Mr. SONNENFELDT. No.

Senator BYRD. Or is that a negotiated figure?

Mr. SONNENFELDT. That is a negotiated figure.

Senator BYRD. What is it negotiated down from?

Mr. SONNENFELDT. I am sorry, sir, I simply don't have the documentation with me.

Senator BYRD. All of this has a bearing, I think, on our whole trade negotiations with the Soviet Union. And I, as an individual Senator who has to pass on some of these problems, would have to pass on this nomination as well and I would like to know the views of the individuals who are handling these matters, what their own personal views are, what their feelings are, what their philosophy is.

Mr. SONNENFELDT. If you are asking my view concerning the lend-lease settlement of last year, I think that settlement was the best settlement that was obtainable, particularly compared to no settlement at all, which was the situation that we were operating under for the last 25 years.

Senator BYRD. When you say it was the best settlement, what was? How much do we contend the Soviet Union owes us?

Mr. SONNENFELDT. I am simply not in a position to give you the figures, because this was in negotiation and the dispute with the Soviets, that goes back to the 1940's.

Senator BYRD. But in settling the dispute, you have to start at some figure. What does the Government figure consist of? There must be a Government figure as to how much the Soviet Union owes us, isn't there?

Mr. SONNENFELDT. Well, there have been figures of over \$1 billion or something of that kind. I think the Soviets at one point offered something like \$300 million. This would have been in the negotiations in the fifties.

Senator BYRD. Do you believe that the interests of the American consumer, the American baking industry, and the American farmer were adequately protected in the Soviet grain sale?

Mr. SONNENFELDT. Well, my judgment on that would be that the effects of the grain sale were probably not fully anticipated. The effects on domestic prices, well, I frankly cannot tell you what the effects of some other kinds of arrangements might have been assuming we were going to sell the kind of quantities that we sold to the Soviets.

Senator BYRD. Was it wise to have agreed to the quantities that were agreed upon?

Mr. SONNENFELDT. Well, the Government agreed to a 3-year program, which was considerably less than what it turned out the Soviets came into our market to buy. The decisions to sell, as I understand it, were essentially the decisions of private companies over which the Government as such had no additional control. So those were business decisions by American exporters. We had anticipated in the agreement that you referred to earlier a 3-year program in which this was going to be spaced out rather more than as it happened, because of the bad Soviet harvest, which turned out to be the case last year. I think that the effect on domestic American prices was greater than anticipated, but I don't know enough about the way in which prices in these areas are affected domestically to be able to say here and now whether this particular transaction in and of itself is the only reason or the main reason for what has happened to these prices domestically.

Senator BYRD. If you are going to be negotiating, if you are going to be involved in these agreements—and that is what your post calls for—it seems to me that you would need to be in a position to know what effect it is going to have on our domestic economy.

Mr. SONNENFELDT. When I am in that position, sir, I can assure you I will.

Senator BYRD. Well, you have been in a policy position all along dealing with the Soviet Union.

Mr. SONNENFELDT. Well, I have been in an advisory position, sir.

Senator BYRD. Well, that is the same thing.

Mr. SONNENFELDT. Well, not entirely.

Senator BYRD. Well, you are the senior consultant to the National Security Council and certainly your advice would be heeded and sought, I would think.

Mr. SONNENFELDT. The bureaucracy is a somewhat complicated mechanism. The effect of such a transaction on the domestic economy would be something that would be examined and assessed not by someone like myself, who is a foreign policy expert, but by those who are charged with that particular responsibility. And those issues are brought together in the committees that are made up.

Senator BYRD. Maybe you'd better explain to me again just what your role is going to be for which you are seeking confirmation.

Mr. SONNENFELDT. One of the reasons, sir, why I believe the President has restructured the Government to deal with these questions and has created the East-West Trade Policy Committee under Secretary Shultz is precisely to deal with these interrelationships.

I think what one has to recognize is that the volume in trade, particularly in agricultural trade with the Soviet Union, spurted suddenly last year. It was a totally new experience and our Government was not adequately organized for this new experience. The President has now established this new interagency committee, chaired by the Secretary of the Treasury in which all of the other agencies that could conceivably be involved in these trade matters will be represented. And it would be my very strong expectation, therefore, that precisely the kind of interrelationship that you are talking about, sir, will be systematically examined as we now move into a more voluminous relationship presumably with the Soviet Union and possibly with China. So that precisely the kind of effects that you are disturbed by, and that I am disturbed by, will be assessed beforehand. And these judgments will be made in a systematic way so that we will be negotiating with our eyes fully open.

Senator BYRD. The Soviets grain deal—did it in your judgment have a significant impact on the domestic economy?

Mr. SONNENFELDT. In my judgment it did, and I can only tell you in this case—

Senator BYRD. I am just asking you about this case.

Mr. SONNENFELDT. I can only tell you that I know from my wife's—she is here, she will confirm this—weekly market basket that something has had an effect on bread and other things. Obviously there was an effect. There has been an effect on transportation as well because of the huge loadings that had to occur to get these things moved to ports. And we are deeply aware of that and we hope to learn from this experience. And this is one of the reasons why we are trying to organize ourselves more effectively to deal with these matters than we were at this time last year.

Senator BYRD. Can you explain why the timing of the announcements of the exchange in U.S. export subsidy policy last August resulted in the sale of 208 million bushels of wheat at a subsidy level, which the Government admitted was unrealistic and at a cost to the taxpayer of \$132 million?

Mr. SONNENFELDT. I am sorry, sir, I simply am not in a position to answer a question of that detail. I have not been involved in this matter to that degree and detail.

Senator BYRD. I gathered from your biography that you played a major role in negotiating the Trade Negotiation Agreement with Russia signed on October 18, 1972?

Mr. SONNENFELDT. Yes, sir.

Senator BYRD. Do you believe that this agreement is to the advantage of the United States, and if so, why?

Mr. SONNENFELDT. I had, Senator Byrd, participated in those negotiations. I wouldn't myself characterize it as a major role, but I did participate in those negotiations, yes. I do think that that is a good agreement. This is the first agreement of this kind and scope that any foreign government, as far as I know—any non-Communist government has ever negotiated with the Soviet Union and that in its projections for the American businessmen operating in the Soviet Union for the first time in any trading agreement some provisions for third-party arbitration have been made so American companies will not have to rely on Soviet courts in the event of disputes. It has provisions that would come into effect in connection with most-favored-nation treatment also that would protect the United States against dumping and other practices that might disrupt our own markets.

I think that the agreement is a good framework with which to build our commercial relationships, to protect our own business interests. It is a 3-year agreement. I think we will be able to learn how well it operates and, if after 3 years we find that there are blemishes in it, we should be in a position to renegotiate it and learn from it, but I think considering this was a give-and-take negotiation, that this was a useful and valuable agreement and I think that the American businessmen, themselves, will find that they are better able to do business and protect their interests and I think the interests of the country have been well protected by that agreement.

Senator BYRD. Is the agreement contingent on the Soviet Union being accorded most-favored-nation status by the United States?

Mr. SONNENFELDT. The agreement will not formally go into effect without that. In practice, certain things in the agreement are, in fact, taking place. For example, certain American business firms are being granted facilities in Moscow. The Soviet Union has associated itself with the International Copyright Convention and various other pieces of it are beginning to be implemented, but the formal entry into force of that agreement does depend on the reciprocal granting of most-favored-nation treatment.

Senator BYRD. I understand that the agreement calls for a tripling of trade over the next 3 years.

Other than grains, what commodities would be involved in this large expansion of exports and imports?

Mr. SONNENFELDT. Well, on the exports side, I think the Soviets are interested in machinery, but they are also interested in certain types of consumer goods or plants that manufacture consumer goods. I think one of the projects that is underway now is for a factory to make tableware, flatware, so I think that the exports from the United States will be in the area of various kinds of machinery plus, of course, grains, agricultural products, and the imports from the Soviet Union, I think in the first instance will be in the traditional areas that we have dealt with heretofore, that is, furs, vodka, and caviar, but there are also

certain raw materials in which some of our companies will be interested.

I think if most-favored-nation treatment is accorded, there may be some other manufactured products. The Soviets have some precision machinery and some other machinery in which they are quite good and which they would probably be able to market here. They seem to feel they can market certain of their automobiles here that have certain characteristics for rigorous weather and things of that kind.

A tripling of trade both ways with the Soviet Union is not, of course, a great deal. In absolute terms, of course, we are beginning with a very small volume of trade as the basic figure, but those would be the areas that I would envision for the time being.

Now, American companies are ingenious and will attempt to market various of their products over there. We have a soft drink plant there, Pepsi-Cola, which has negotiated for a plant. There will be those kinds of products that I would think will get into the Soviet market. I think it is important to recognize here that it is not simply machinery but also consumer products that will be going to the Soviet Union and that they themselves will be interested in getting. And in terms of the concern that is sometimes expressed that we may be assisting the Soviets in building their potential for military production, it is at least interesting to observe that they themselves have come into our market to purchase certain consumer goods.

Senator BYRD. Well, as an expert on Russia, how serious is the shortage of grain and food in the Soviet Union?

Mr. SONNENFELDT. Well, my judgment, Senator, would be that last year it was a very serious shortage or the Soviets would not have gone and spent over \$1 billion worth of hard currency which is a considerable amount for it.

Senator BYRD. So they didn't do it for us; they did it for themselves?

Mr. SONNENFELDT. They did it, I think, because they had a real need.

Senator BYRD. They had a real need? Earlier in your testimony you said they were reluctant to accept our \$500 million worth of credit. As you point out now, they had a real need for it though.

Mr. SONNENFELDT. They had a real need, and decided that even though they basically don't like these kinds of short-term rates, high interest credit, that this was something that they would have to do.

Senator BYRD. Well, the United States pays more for money than the Soviet Union pays for money, does it not?

Mr. SONNENFELDT. Again, you are asking for a point of view I cannot—

Senator BYRD. Well, it is in the public press every day. It is actually a part of this whole basic problem we face. The Government is paying about 7 percent for money now.

Mr. SONNENFELDT. Well, I think, as I understand it, the Commodity Credit Corporation has no discretion as to what credit it charges on the sales.

Senator BYRD. I understand that, but what I am speaking of is that the fact is, regardless of the reason for it, the fact is that the Russians got a good deal on that Commodity Credit money at 6½ per-



cent. It is better than the Government can do. The Government is paying more than that on some of their bonds, is that not correct?

Mr. SONNENFELDT. Well, if your premise is correct, the Soviets got a better credit deal than the Government gets on some of the things that it has to buy. On the other hand, other countries who buy agricultural products with Commodity Credit Corporation credit would be getting the same deal that the Soviets would.

Senator BYRD. I understand that.

Many economists tell me that the Soviet Union is in a very bad position not just because of last year's weather but in a very bad position in regard to grains and other foods. Is that your judgment?

Mr. SONNENFELDT. Well, Senator Byrd, it depends on the standard that you apply. I think that Soviet agriculture is one of the weakest aspects of their economy. It is very much subject to fluctuations in the climate and the annual harvest. Last year I think there was a real shortage. On the other hand, one of the interesting things about the situation last year was that one of the commodities that the Soviet came to us to buy were feed grains, which indicated that they were not prepared to sacrifice what they are trying to do in the improvement of their meat diet and their livestock program.

My judgment would be that in Stalin's day they would have simply done without that and let the population suffer and even in Khrushchev's day they would not have spent the hard currency that they did to maintain their high protein diet program.

So agriculture remains a soft spot in their economy. Their large requirements for agricultural products stem in part from the fact that they have apparently made a decision not simply to keep their population at a subsistence level, but to improve the diet of the population. So the need has to be measured against their own standards, for feeding their population, but I would say that agriculture over a period of time is going to continue to be a source of considerable difficulty for the Soviet Union and there presumably will continue to be considerable imports although I think last year was an unusually heavy year in that respect because of the very severe weather problems that they had.

Senator BYRD. Now to get back to the trade agreement of last fall, Secretary Rogers has indicated that the agreement protects the United States against Russian exports that could disrupt domestic markets. Now how will that be accomplished?

Mr. SONNENFELDT. Well, the agreement itself so states, and I think we will keep a very close eye on what the Soviets attempt to export to this country, to make that judgment.

Senator BYRD. Well, what will you do then? Will you put quotas on, put tariffs on? How do you regulate it?

Mr. SONNENFELDT. Well, I think the question of how you regulate it, what particular mechanism do you use, I think will have to be considered at the time the issue arises.

My strong suspicion is that the Soviets were rather mercantile in their outlook despite their reputation as Communists. They are likely to charge higher prices rather than lower prices, and try to get as much for their things as they can.

Senator BYRD. You have confirmed the statement that the agreement protects the United States against Russian exports that could disrupt domestic markets. Now what is the mechanism for doing that?

Mr. SONNENFELDT. Well, I can't describe the specific mechanism to you, sir. I can only say that the reason this was put into the agreement is that the Soviets are not members of GATT and this provides the analogous protection that we have under GATT with other countries. The only way I know to answer your question right now in the abstract without knowing what particular product might be involved and what particular quantities might be involved is to say that the Commerce Department and those of us connected with this whole subject matter will keep a very close watch on what will be imported into this country or what the Soviets attempt to export to this country. And, if there are indications that this will have some disruptive effect on our own market, then we will have to consider at that time the steps we will take.

I am simply not in a position to tell you now in a concrete example what the mechanism will be, but it is clearly within the terms of the agreement that this will not occur and even if there is a Soviet attempt to do so, if we make the judgment that it will be disruptive, in my view at least that would constitute a violation of this agreement and we would call the Soviets on it. And in that respect we will have an advantage there because theirs is a state trading economy and we will be able to take that matter up directly with the Soviet Government because it would then be a violation of that agreement.

Senator BYRD. Well, I have never noticed that the Russians have been reluctant to violate their agreements. Maybe you have, but I haven't noticed it.

Mr. SONNENFELDT. Well, I think that we will have some sanctions. After all, they want things from us too, and I think they will realize that if they violate an agreement, things they want from us including those credits we were talking about earlier, could well be affected.

Senator BYRD. My time has temporarily expired.

The CHAIRMAN. Senator, we had agreed that we would go back to the hearing on social services at 2 o'clock and I wanted to offer Senator Bennett and Senator Curtis a chance to ask questions.

Senator BYRD. Yes, by all means.

Senator BENNETT. No questions right now.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. I have a few. There were some matters related before us this morning which may have been common public information, but I was unaware of it and I want to ask you about some of them.

How long have you been in the Federal service?

Mr. SONNENFELDT. I think the total. Senator Curtis, in between 23 and 24 years, counting my Army service during World War II.

Senator CURTIS. Have you ever been the subject of any investigation within any department or agency that you have worked for?

Mr. SONNENFELDT. Well, I testified earlier, sir, that there was an investigation, leaving aside the investigations that are normal to appointment to the Federal service in the first place, and subsequent updating, that there was or rather there were allegations in the

security area in the Eisenhower administration which were investigated and I have testified to that.

Senator CURTIS. Do you know the source of those allegations?

Mr. SONNENFELDT. I don't for a fact, know what the source of those allegations was. That was never disclosed to me. I have heard rumors about it. I have some indication from the testimony that was given here this morning what the source of those allegations was, but that was never made known to me as part of the investigation, when I was interrogated about these matters, in I believe 1960 or 1961.

Senator CURTIS. Based upon what you heard this morning, what do they say was the source of those allegations?

Mr. SONNENFELDT. Well, there is a reference here to a former employee of the Department of State who made the allegation that he personally witnessed the improper and illegal transfer of information. That is the most specific knowledge that I have now of the source of these allegations.

Senator CURTIS. Were you told what you were being investigated about?

Mr. SONNENFELDT. As I recall, and as I said the only interrogations that were ever conducted about this matter, go back to 1960 or 1961, but as I recall in the course of those interrogations there was disclosed to me that the allegations related to the transfer of documents, classified material, to a foreign government and also to the disclosure of—

Senator CURTIS. Excuse me. What was the foreign government?

Mr. SONNENFELDT. I believe the allegation was Israel.

Senator CURTIS. And what were the facts?

Mr. SONNENFELDT. Pardon?

Senator CURTIS. What were the facts?

Mr. SONNENFELDT. The facts were that there was an allegation which was totally untrue and which I denied at the time, and which I was subject to, I think, some extended interrogation about at the time.

Senator CURTIS. What was the disposition of the case? Were you transferred or was your employment changed in any way?

Mr. SONNENFELDT. Well, the disposition of the case I would not know.

Senator CURTIS. Well, what happened to you?

Mr. SONNENFELDT. Well, I was—I'm trying to remember when the interrogation occurred I was transferred from the Department of State to another branch of the Department of State, which was then being formed, called the U.S. Disarmament Agency, which was subsequently made a semiautonomous agency which the Congress called the Arms Control and Disarmament Agency.

Senator CURTIS. Were you told why you were transferred?

Mr. SONNENFELDT. No, sir.

Senator CURTIS. Had you requested it?

Mr. SONNENFELDT. It was discussed because I had some experience in this field. And toward the end of the Eisenhower administration a number of people with experience in the disarmament field were collected together to form the nucleus of this new agency. And I might say that later in 1961—I think around September or October—I was transferred back to the Department of State. And in fact, back to the Bu-

reau in which I had previously served to a somewhat higher position as a Division Chief and then remained there as a Deputy Director, and Office Director, and then finally moved to the White House in 1969.

Senator CURTIS. There has been placed before us what purports to be an affidavit of Otto Otepka. In it he speaks of two investigations; one in paragraph 2 and one in paragraph 5. Do you have any comment on those?

Mr. SONNENFELDT. Well, I can only recall now, sir, that the only investigation of which I was personally aware was the one in which I was personally interrogated and that occurred I guess over a period of some weeks. I simply don't have the precise information. That related to these allegations that you asked about earlier, that I mentioned earlier concerning the handling of classified data to a foreign government or representative of a foreign government, and classified data to journalists.

If there were other investigations, if there was surveillance as there is some reference made to in the statement given you, I was not aware of them in any sense that I was formally informed about them. Now one senses occasionally that people are making inquiries about you, but the only investigation of which I was specifically aware was the one in which I was actually subject to intensive interrogation about these allegations and after which I was subsequently informed that the case had been favorably decided and that I was continuing in my service in the Government.

I notice, Senator, that in paragraph 5 of that affidavit to which you refer, there is some reference to my not having access or security clearances. Well, I was in the Disarmament Agency. I am frankly not aware that any security clearances that I had before I went to that Agency were not available to me while I was at the Agency. It is true that when I returned to the State Department subsequently in a position of higher responsibility I was given additional security clearances that I had never had before either in the Disarmament Agency or in the Department of State. I am not aware that there was any change in my status in connection with that particular move to the Disarmament Agency.

Senator CURTIS. There has also been placed before us what purports to be a speech in the Congressional Record of Sept. 23, 1970, by Congressman Rarick of Louisiana in which he says that it was during Rogers' tenure of office in the U.S. Department of Justice that Sonnenfeldt was in "very serious trouble because of the alleged leaks of top secret and secret and classified information to foreign agents with whom he had frequent and close association. An intense FBI investigation resulted in the discussion about prosecution."

Now this is the investigation referred to?

Mr. SONNENFELDT. Yes, sir, and the only thing I know about that investigation was what directly involved me, namely, the interrogation. I knew nothing about any discussions or any disposition of the matter apart from the actual interrogation of myself.

Senator CURTIS. Did the FBI interrogate you?

Mr. SONNENFELDT. No, sir, not as far as I know. I think I was interrogated wholly by the State Department.

**Senator CURTIS. Congressman Rarick says,**

No such prosecution never took place because the State Department held that it was not in the interest of the United States Government to have the secrets involved become public knowledge. Rogers agreed not to prosecute and Sonnenfeldt was saved from conviction under the espionage statutes.

**Do you have any comment to that?**

**Mr. SONNENFELDT.** I have no comment on it because it is simply I know nothing about it? I know nothing about any discussions that may have occurred concerning the disposition of this matter or prosecution of it. All I know is the subsequent course of events, which is, I remained in the Federal service in positions of increasing responsibility and sensitivity and that this was so in the successive administrations, after the Eisenhower administration to the Kennedy and Johnson administrations, and subsequently to the Nixon administration.

I believe I have already stated before the committee that when I was transferred to the White House in January of 1969 at the time of President Nixon's inauguration, that I pointed out to my new superiors or my prospective new superiors that such allegations had been made almost 10 years earlier and that they should reassure themselves that these had been fully investigated and disposed of before I was given the position of responsibility that I was assigned to so that there would be no embarrassment or any question about it.

**Senator CURTIS.** In view of what was said this morning, in some of the material that was placed before us, I understood that some of the records pertaining to you, to your service, were not intact. Is that correct?

**Mr. SONNENFELDT.** I would have absolutely no knowledge of it, sir. I have never seen my security record. I have never seen my personnel record. That is not something that is normally shown, at least as far as I know, that is normally shown to any employee. I have never seen it and I have never asked for it.

**Senator CURTIS.** Well, has any information ever come to you in reference to that subject?

**Mr. SONNENFELDT.** I have seen the stories that you refer to, in, I believe, the Congressional Record, and one or two newspaper articles, but I have no knowledge of it whatsoever. Those materials, those things, are not in any sense under my control. I have no access to them. I have no knowledge as to what is in them. I have no connection with them other than that they deal with me.

**Senator CURTIS.** I think that is all.

**The CHAIRMAN.** Mr. Sonnenfeldt, would you object to a member of this committee seeing whatever information is in the Government files concerning you with regard to security matters?

**Mr. SONNENFELDT.** Mr. Chairman, I personally have no objection to it whatsoever. I think it is a question of working out the proper procedures. I am simply not familiar enough with how this is done, but I personally have no objection to it whatsoever. As far as I am concerned, you are entitled to any information you desire.

**The CHAIRMAN.** I have, for example, never looked at any of the raw files of the FBI. I have heard a lot of conversation about the fact there are all sorts of unverified and unsupported information which would be most unfair to release from those files to anyone. On some occasions,

to resolve matters of that sort, we have appointed from the Senate one Democrat and one Republican to go and look at the raw files of the FBI or any other security files, and report back if they knew of any reason why we shouldn't proceed with a confirmation, I just wondered if you would have any objection to us following that type of procedure which has been used in the past when security questions have been raised?

Mr. SONNENFELDT. I am not familiar with the precedent of it. I personally have no objection to this being done. I think from my personal standpoint I would be happier in fact than not if you were able to satisfy yourselves that this is a proper nomination and that you can act in good conscience to confirm it, but I am simply not familiar enough with the procedures and the precedents. So I would hope this can be worked out in an appropriate fashion by the legal people involved, but I have no personal objection to it.

The CHAIRMAN. All right. I don't believe you have commented upon anyone saying anything adverse to you. I notice that Mr. Hemenway indicated that apparently he had been adversely affected by what appears to have been a change of opinion with regard to your assessment of his services in the Government. Just what was that? I mean, did you at one time have a very high commendation of him and then subsequently you concluded that you had been overly generous in your assessment? What was that all about?

Mr. SONNENFELDT. Mr. Chairman, as I recall it, Mr. Hemenway worked in the office of which I was the chief for either two or three rating periods, and I wrote or reviewed performance ratings of his performance there. The instructions for those ratings require a discussion of both the strengths and the weaknesses of the employee concerned, and I attempted to do that as conscientiously as possible, mentioning his strengths and what I considered to be his weaknesses in his performance.

My view of that did not change. It has not changed. I cannot tell you what the impact of that on Mr. Hemenway's fate in the Foreign Service was because I was not part of the promotion panels that considered his promotions nor was I part of any of the procedures that involved his subsequent fate in the Foreign Service. I simply wrote those performance ratings as best and as conscientiously as I knew how.

I was subsequently interviewed in connection with what I think was an appeal by Mr. Hemenway concerning his case by two senior officers of the Foreign Service. This occurred during the transition period in, I believe, the late 1960's, 1968. Mr. Hemenway last year or whenever it was, perhaps 15 months ago, pointed out that these two gentlemen had attributed certain statements to me from that interview and he asked me to repudiate those statements attributed to me. I informed Mr. Hemenway that I was not in a position to recall in detail the conversation that I had with those two gentlemen that interviewed me, but that my view of his performance—and I think the letter that I wrote to him is in the file here—that my view of his performance was as I have stated it in my performance ratings, and that to the best of my recollection I would have discussed his performance with these two gentlemen in the terms that I used in those per-

formance ratings, that is, both the strengths and the weaknesses of Mr. Hemenway's performance when he was under my supervision.

The CHAIRMAN. What, if any, experience have you had with Mr. Otto Otepka?

Mr. SONNENFELDT. My direct experience was, I believe he conducted or at least supervised or partly conducted the interrogation that I referred to earlier. Beyond that my only connection with him I think has to be when we both served in the State Department to see him from time to time in the halls and the elevators and to exchange greetings.

The CHAIRMAN. We are scheduled to resume our hearing on social services at 2. We have already overextended our time, but I will extend the time for another 5 minutes if Senator Byrd or someone else wants to ask another question of this witness, or we could go into this matter at a later date.

Senator BYRD. I don't think I could even get started in 5 minutes.

The CHAIRMAN. Well, that being the case, we will simply have to resume this hearing at a later date when the witnesses are available to us.

The committee will be happy to receive anything from anyone who cares to submit anything in writing to this committee on the nomination, and I will assure them that it will be considered. With regard to matters such as those that Senator Byrd wants to discuss, I believe we will simply have to continue this hearing at a later date when Mr. Sonnenfeldt will be available to us.

Mr. SONNENFELDT. I should be back next week.

The CHAIRMAN. Thank you very much.

Senator BYRD. Mr. Scott sent a note that he would like at the appropriate time to be permitted an opportunity to be heard.

The CHAIRMAN. We will certainly accord Mr. Scott that opportunity and he can either submit something in writing or be heard, whichever he prefers.

Senator BYRD. I might say, my questions have nothing to do with the Scott matter. My questions deal with a broader fiscal policy.

The CHAIRMAN. Thank you very much.

[Whereupon, at 2:30 p.m., the committee recessed subject to the call of the Chair.]

# NOMINATIONS OF HELMUT SONNENFELDT, DONALD C. ALEXANDER, AND EDWARD C. SCHMULTS

MONDAY, OCTOBER 1, 1973

U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D.C.*

The committee met, pursuant to notice, at 10:30 a.m., in room 4221, Dirksen Senate Office Building, Senator Harry F. Byrd, Jr., presiding.

Present: Senators Byrd, Jr. of Virginia, Long (chairman of the full committee), Nelson, Mondale, and Bennett.

Senator BYRD. The Committee on Finance will come to order.

The committee is meeting today to consider the nomination of Mr. Helmut Sonnenfeldt of Maryland to be Under Secretary of the Treasury. This is an extension of a meeting which was held on May 15, 1973. At that time, on that day, there was inadequate time for all of the members of the committee to interrogate Mr. Sonnenfeldt and, for that reason additional hearings, were required, and this has been the first opportunity that the committee has had to hold such hearings.

Mr. Sonnenfeldt, suppose we start this way: If you have a statement you would like to make, if you would proceed at this time.

## STATEMENT OF HELMUT SONNENFELDT, NOMINEE TO BE UNDER SECRETARY OF THE TREASURY—Resumed

Mr. SONNENFELDT. Thank you very much, Senator.

No, I do not have a statement. I am completely at your disposal to proceed with whatever questions you may wish to raise, Senator.

Senator BYRD. Suppose we ask you if you would just briefly, in your own words, give the committee your professional background, and your qualifications for the position to which you have been nominated; namely, that of Under Secretary of the Treasury.

Mr. SONNENFELDT. All right, sir.

I was educated as a child in Germany and then in England after leaving Germany in 1938, and attended university for 2 years in England during World War II, taking general courses but actually majoring in something quite unrelated, physics.

I then came to this country in 1944, briefly attended Johns Hopkins University, taking courses in political science and social sciences before entering the U.S. Army for approximately 2 years at the end of World War II, and shortly thereafter, serving in the Pacific theater and then in Germany in the occupation forces, and then returned to



the university at Johns Hopkins in Baltimore as a major in political science. At that time I took a variety of courses required for the degree, including courses in international economics, economic geography, but the emphasis was on political science and history.

I continued graduate work at Johns Hopkins University in political science and then spent 1½ years at the Johns Hopkins University School of Advanced International Studies here in Washington, specializing at that time in Soviet-East European affairs, including certain aspects of the Soviet economy, East-West relations, but very largely on matters of Soviet foreign policy.

I then entered the State Department in 1952 as a research analyst in the field of Soviet affairs, and I stayed there over a period of years, advancing in grade and responsibility in doing work in the general area of Soviet international policies on the research and intelligence side of the Department of State.

I spent a year in what was then called the U.S. Disarmament Agency, the predecessor agency of the Arms Control and Disarmament Agency, dealing with matters of arms control, and returned to the Department of State in the fall of 1961 as chief of a division, research division, dealing with Soviet foreign affairs.

I advanced in that position to become first, Deputy Director and then Director of the Office of Research and Analysis for the Soviet Union and Eastern Europe. In that capacity I supervised several divisions, including a division dealing with matters of East-West economic relations, but in particular with Soviet foreign economic policies.

Senator BYRD. Could I interrupt you briefly at that point?

Mr. SONNENFELDT. Yes, sir.

Senator BYRD. Your office deals with both the military aspects and the economic aspects or only the economic aspects?

Mr. SONNENFELDT. No, my office dealt principally, because of the State Department's functions, with political aspects, but because of the significant political importance of Soviet foreign economic policy, particularly in those early years when the Soviets first began their foreign aid programs and things of that sort, the office dealt with Soviet foreign economic policy. It dealt with Soviet military developments largely to the extent that it was required to form full political judgments, but it did not have as a principal responsibility the analysis of intelligence on Soviet military developments.

It had a collateral responsibility with other parts of the intelligence community, principally, of course, the Defense Intelligence Agency and the CIA.

The emphasis was on the political side, but there was a strong minor, if I may put it that way, emphasis on the economic side and the military side as well.

Then in January of 1969, I was assigned by the Department of State to serve as a staff member of the National Security Council, and was given responsibilities there in the area of Soviet affairs, East-West relations and in European affairs.

Again, my principal responsibilities related to political matters. There was a separate, there is a separate, economic staff in the NSC staff itself, and of course, subsequently there was formed the Council

of International Economic Policy in the White House, but because the President was concerned about insuring that our economic policies with respect to the Soviet Union were closely correlated to our political policies, I took some interest in the evolution of our economic relations with the Soviet Union and was assigned on various occasions to accompany American delegations that went to the Soviet Union to deal with economic questions, and I did so in 1971 and again in 1972, and I participated in the summit meeting in 1972 and again this year, and also accompanied Dr. Kissinger on a number of his trips to the Soviet Union, at which economic relations were discussed, at least to some extent.

So my principal responsibilities in the economic area were to keep abreast of them rather than to have an operational responsibility, to keep closely abreast of them and to insure that they were in close harmony with the overall purposes of our policy and with the political aspects of our policy.

I was then nominated for the position of Under Secretary of the Treasury by the President last spring because I had had this continuing contact with the development of our economic relations with the Soviet Union, and the Secretary of the Treasury has available this position of Under Secretary which is in a sense an undefined position in that he can utilize it for whatever purposes he wishes. It is also known as the position of counselor to the Secretary of the Treasury, and I believe his principal reason, certainly one of his reasons, was to have me as his assistant at a senior level in the Department of the Treasury as he performs his functions in the area of East-West trade.

I think this purpose was in part to have someone who was fully familiar with our overall policies, who could represent him at the various interagency groups, the various committees of the National Security Council, and the various other committees that we have in the Government for the coordination of our policies, and so that, I believe, was essentially his concept of this particular position.

I think he also had in mind that I would assist in and advise him in other aspects of his foreign economic responsibilities not related to the Soviet Union but to other areas, particularly Western Europe, because of their very intimate relationship to our security interests. The emphasis is on the interrelationship between foreign economic and national security policies, so I think his concept was to have someone who came out of the national security machinery and could work closely with Dr. Kissinger, to have someone available in a senior capacity in the Department of the Treasury to handle the liaison and the cooperation and the coordination of policies with the rest of the Government in these important areas.

Senator BYRD. Between May 15 and this date, have you been undertaking any duties for the Treasury Department?

Mr. SONNENFELDT. No, sir.

I might say that I was scheduled to accompany Secretary Shultz on his current trip, but entirely in my NSC capacity and in a similar capacity to previous trips by Cabinet officers to the Soviet Union, essentially to provide whatever political guidance I could. But I have stayed out of the Treasury Department entirely and have performed no functions whatsoever in connection with the Treasury Department.

Senator BYRD. At this point I would like to ask this question, which is a question which is put to every nominee who comes before the Senate Committee on Armed Services, and I think it should be put to all nominees: If confirmed for the position for which you have been appointed, does the committee have your assurance that you will respond affirmatively to any request that you come before this committee or any duly constituted committee or subcommittee of the Congress?

Mr. SONNENFELDT. You certainly have that assurance, and I believe a written notification of that has already been submitted to the committee. Yes, sir.

Senator BYRD. I have read your biography and I see nothing that indicates experience in Government finances or the field of taxation. Would you comment on that?

Mr. SONNENFELDT. Yes, Senator.

If I may take the second part first, I will have no functions whatsoever connected with taxation. My predecessor in this position did have a function with regard to taxation, but because this position is completely at the disposition of the Secretary of the Treasury to utilize as he wishes, I will have no connection with taxation whatsoever, and I know nothing about it and that will not be my role.

Senator BYRD. You will take the place of Secretary Cohen?

Mr. SONNENFELDT. That is right, sir. But as I say, this is a position that is, has been deliberately designed for the Secretary of the Treasury to use for particular purposes that concern him at a given time. It is not fixed by statute at all to deal with taxation.

I think a previous Secretary of the Treasury, whoever it was, decided that he wanted to have a senior adviser on taxation, and this Secretary of Treasury has decided that he wants a senior adviser with qualifications such as I have outlined. The same would apply to finances per se.

Mr. Volcker will, of course, continue to be the Under Secretary for Monetary Affairs, and my responsibilities will not relate to that area at all, and I do not claim to have any background—any special background in it. I have had some interest in it because of its impact on our broader relationships. There are many political aspects to it, but I do not have any special qualifications in finance or taxation because that will not be my function there.

Senator BYRD. What will be the chain of command, so to speak, within the Treasury Department?

Mr. SONNENFELDT. Upward from me it will be through the Deputy Secretary, Mr. Simon, to the Secretary.

Senator BYRD. You have the Secretary, of course, and then you have the Deputy, Mr. Simon?

Mr. SONNENFELDT. Right.

Senator BYRD. And then you will be the Under Secretary?

Mr. SONNENFELDT. I will be the Under Secretary, but I will have no supervisory responsibilities over any segment of the Treasury Department. I will have a very small staff, at least that is the concept as laid out for me by the Secretary of the Treasury, Mr. Shultz. I will have a small staff that will be able to function rather flexibly in the areas that I have indicated, but it will not supervise any particular segment or section of the Treasury. It can draw on individuals with special ex-

pertise in the areas in which the Secretary may want me to perform certain functions for him, but I will not supervise any other part of the Treasury.

It is for this reason that this position is known as well as counselor to the Secretary of the Treasury, so that it is not burdened with line responsibilities, but can function completely at the Secretary's discretion.

Senator BYRD. Then there will be another Under Secretary also?

Mr. SONNENFELDT. No, there are two Under Secretaries, Mr. Volcker for Monetary Affairs, and this Under Secretary for which I have been nominated, that is it.

Senator BYRD. And then what assistant secretaries are there?

Mr. SONNENFELDT. Well, there are a number of assistant secretaries. I think the one that would be most directly concerned with the kinds of things that I would be concerned with is the Assistant Secretary for International Affairs in the Treasury.

There also is a staff known as the National Security staff, and I think those would be the gentlemen that I would—that I would expect to deal with. I do not anticipate having any connection with those men who are concerned with domestic affairs.

Senator BYRD. I have other questions, but I want to yield to Senator Bennett.

Senator BENNETT. I have no questions, but I just want to reiterate and make completely sure I understand your last three or four statements.

In your position in the Department, there will be no subsidiary organizations answering to you? You are, in effect, the counselor off here at the side? There is no assistant secretary who answers to you?

Mr. SONNENFELDT. That is correct, sir.

Senator BENNETT. You will have no functions, no administrative functions, in the Department?

Mr. SONNENFELDT. That is correct.

I can draw on the capabilities in other parts of the Treasury in order to get information, get assistance of various kinds, but I will have no administrative responsibility and they will not report to the Secretary through me.

Senator BENNETT. In a sense you have no direct policymaking responsibility except as your suggestions to the Secretary are translated by him into policy.

Is that a correct assumption?

Mr. SONNENFELDT. That is a correct assumption except of course as he then instructs me to carry out policy but as far as policymaking is concerned, I would make recommendations to him based on either my own judgment or whatever interagency mechanism that I was a part of, but he would be the ultimate maker of policy.

Senator BENNETT. When you say carry out policy in view of the fact that you will have no subsidiary, you will have no administrative responsibility, no line authority, I assume the only way you could carry out policy would be on special ad hoc missions assigned to you by the Secretary.

Mr. SONNENFELDT. I think that is correct, sir, yes.

Senator BENNETT. Can you think of any other?

Mr. SONNENFELDT. No, I think it is possible in the East-West trade area when decisions have been made either by the Secretary of the Treasury or by the President, that I may be used as the channel to convey those decisions to the various parts of the Government that will be charged with implementing them and I would presumably, somewhat like our function in the NSC staff, have some responsibility for observing that those decisions are properly carried out.

But I myself would not implement policy decisions except as specifically directed by the Secretary.

Senator BENNETT. You have kind of a roving assignment.

Mr. SONNENFELDT. That is right, sir.

Senator BENNETT. To move wherever you are sent.

Mr. SONNENFELDT. That is right.

Senator BENNETT. Nothing else, Mr. Chairman.

Senator BYRD. Thank you, Senator Bennett.

Senator Nelson.

Senator NELSON. I do not have any questions.

Senator BYRD. Senator Long.

The CHAIRMAN. Mr. Sonnenfeldt, as you and I have discussed, there were some suggestions made to me, and I assume to other members of this committee, to the effect that there would be some adverse security information in your file at some point. Those sources would lead one to believe that they had some credibility.

I have looked into all that insofar as it is within my power to do so, and I just don't find anything in the file to support anything of that sort. So far as I am concerned, I would hope that we could move along with your confirmation just as rapidly as possible.

I would think that if anyone had anything to support any sort of adverse charges against you, by now they should have come forward with it. I would think that one producing it—

Mr. HEMENWAY. That is a telegram from Mr. Otto Otepka sent to you 2 days ago.

The text of the telegram is at the bottom of the page, sir.

The CHAIRMAN. I haven't seen it.

I would suggest that Mr. Otepka be given the opportunity to come here and testify. I am just not aware of anything that confirms any of these allegations, including the one that you made, sir.

I would appreciate it if you would take your seat now. You don't run this committee.

Mr. HEMENWAY. I apologize.

The CHAIRMAN. We have heard some views, and I don't find anything to confirm what you have had to say, nor the rest of this.

I asked the FBI to go out and interview Mr. Otepka to see if he had anything to support this information. I would think that if just the average fellow who has to run for office, including every Member of Congress, were to have someone go out and talk to all those who might not like him, if he'd lived as long as I have, half a century, why there will be somebody who has got something very unkind to say about him. And if they cannot support it and cannot prove it, then it should be treated as just one more unconfirmed allegation. That being the case, I will be glad to entertain anything Mr. Otepka has to support this or anything else he wants to offer. But I am tired of hearing

unconfirmed allegations against this witness and for my part, if someone wants to submit something of that sort, they ought to bring someone to confirm it or some evidence to prove it. Otherwise, I think we ought to go ahead and confirm this man, and that is the way I feel about it, Mr. Chairman.

I will leave this hearing to Senator Byrd. I know he felt that there were a number of important questions that should be asked, and I would certainly like for Senator Byrd to have all the information he would like to have on this matter.

Thank you very much.

Senator BYRD. Thank you, Senator Long.

Mr. Sonnenfeldt, who is your successor as the senior staff member dealing with Europe and East-West relations on the National Security Council staff?

Mr. SONNENFELDT. Senator, that has not been determined yet since I have continued to serve there and, of course, in the meantime Dr. Kissinger has also become Secretary of State and the entire question of how the NSC staff will be organized in the light of that and my prospective departure has not, at least to my knowledge, been decided.

Senator BYRD. Your prospective departure was some 5 months ago.

You mean there has been no planning for your successor during that period of time?

Mr. SONNENFELDT. Well, I am not aware of it. If Dr. Kissinger has had some names in mind, he has not informed me about that.

We have discussed some possibilities but I am not aware that any decision has been made, and I would assume in part because the uncertainty about my precise departure date.

Senator BYRD. It does seem strange that something that goes back 5 months—that there would be no planning involved.

Mr. SONNENFELDT. Sir, I would not plan the personnel composition of the NSC staff in any event. That would be between Dr. Kissinger and—

Senator BYRD. I understand that, but you hold the position as senior staff member dealing with Europe and East-West relations on the National Security staff at the present time, as I understand it.

Mr. SONNENFELDT. That is right, sir.

Senator BYRD. And you would certainly be consulted and would be aware, I would think, of any proposals regarding your successor. If this were something sudden, I could understand it, but it goes back 5 months.

Mr. SONNENFELDT. I wish I could be more responsive to you on that because that is essentially a decision for Dr. Kissinger to make himself. He may have had some ideas before he went to the Department of State, but I think he is in the midst of making a great many decisions regarding personnel both at the Department of State and in the NSC staff and I simply have had no indication of what he expects to do with my position when it becomes vacant.

Senator BYRD. I am curious why one whose background for the past two decades has been that of a specialist in Soviet affairs should be shifted to the post of Under Secretary of the Treasury, a post presumably quite removed from foreign affairs and the Soviet Union.

Mr. SONNENFELDT. Well, the position at the Treasury is to deal with our, among other things, our trade relations with the Soviet Union, Senator. That was—

Senator BYRD. So you were transferred from the State Department and from the National Security Council to the Treasury because of your expertise, you might say, in the East-West trade relations.

Mr. SONNENFELDT. And in Soviet-American relations in general, yes, sir. I hesitate to use the word "expertise" myself because there are a lot of things one has to be rather humble about in these matters but certainly my background—

Senator BYRD. But your wide background and experience is in East-West trade and Soviet trade policies, United States policies regarding trade with the Soviet Union, is that correct, my understanding correct?

Mr. SONNENFELDT. My wide experience in overall American-Soviet relations and in recent years in negotiations or most of the negotiations in the area of trade, yes, sir.

Senator BYRD. In other words, it is your knowledge and experience and continuing contact with economic and trade policies between the United States and the Soviet Union that will be utilized in your new position as Under Secretary of the Treasury.

Mr. SONNENFELDT. That is the intention, yes, sir.

Senator BYRD. You participated in negotiations on the various agreements on economic relations with the U.S.S.R. that were signed in Washington, October 1972, I believe.

Mr. SONNENFELDT. That is right, sir.

Senator BYRD. Would you give your views as to the advantages and disadvantages to the United States and to the taxpayers of the United States of the Russian grain deal between our two countries.

Mr. SONNENFELDT. That happens to be one negotiation, Senator, that I did not participate in, and that was concluded in July 1972 and was not part of the particular package that I was involved in, at least to some extent, that was concluded in October 1972.

I would therefore have to give you a judgment rather than any kind of an account that would stem from direct involvement in it. I think as that agreement was seen at the time in the light of the information then available, which has turned out to be incomplete and to some degree inaccurate but as it was seen at the time, it was an agreement that would enable us to export some of our surpluses to the Soviet Union and, therefore, be of assistance to our export program and to our overall efforts to promote the export of our surpluses in agricultural products. As I say, this was the perception of it at the time.

I think it became clear subsequently that the Soviets were buying a great deal more than it appeared they would when these matters were originally broached, and that therefore it may have been possible to make a better bargain than was actually made under the assumption that we were exporting surpluses. But that would be essentially my broad judgment on the matter.

Senator BYRD. Well, you have been chosen to be the Government's foremost representative, negotiator, with the Soviet Union in regard to economic matters. Surely you had some input in regard to that Soviet grain deal, did you not?

Mr. SONNENFELDT. Well, first, Senator, as I pointed out to Senator Bennett, I will not be the Government's chief negotiator in economic matters. I will be an adviser to the Secretary of the Treasury.

Senator BYRD. Isn't that the same thing?

Mr. SONNENFELDT. No, sir.

Senator BYRD. I guess I will have to ask you to explain to me again just what your responsibilities are if you are not going to—I thought you were dealing with the East-West economic trade matters between Russia and the United States.

Mr. SONNENFELDT. As an adviser to the Secretary of Treasury.

If I can give you—

Senator BYRD. I understand you do not make the final decision. I understand you are not the Secretary of the Treasury, there is no question about that. But you certainly have a major role to play if you are going to have the title of Under Secretary of the Treasury, and you must have some position of importance.

Mr. SONNENFELDT. I expect to have a major role to play, but if I may give you an example, Senator, the Secretary of the Treasury is in Moscow today as Chairman of the Joint United States-Soviet Commerce Commission.

He succeeded in that position the former Secretary of Commerce. The Secretary of Commerce at that time, Mr. Peterson, was the chief American negotiator of those particular agreements. The Secretary of Agriculture was, I believe, the chief American negotiator in the grain negotiations.

A State Department official was the chief American negotiator in the lend-lease negotiations. So the negotiators have varied and I do not know whether under the Secretary's grant of authority from the President he will be the chief negotiator in all these particular areas should they arise again, but my function will be to advise him rather than to be the chief American negotiator. I would expect it to be, I would hope it to be, or I would not be interested in the job, to be a position of considerable and major responsibility, yes.

Senator BYRD. You will advise him as to what is advantageous and what is disadvantageous, I assume.

Mr. SONNENFELDT. I will give him my judgment on that. But as the chairman of a working group, an interdepartmental working group, I will give him the judgment of all the agencies concerned about that, but I will certainly also give him my judgment, my personal judgment, yes, sir.

Senator BYRD. And it is his confidence in your personal judgment, I would assume, that causes you to have been nominated for the high position to which you have been nominated.

Mr. SONNENFELDT. I hope that is the case, yes, sir.

Senator BYRD. Do you feel that the sale of grain to the Soviet Union by the United States in 1972 was conducted on terms advantageous to this country?

Mr. SONNENFELDT. My judgment about that with hindsight, Senator, is that we could have gotten or should have tried to get a better deal. But my review, to the extent that I have been in position to review this matter of the negotiations at the time, in June 1972, leads



me to believe that the people who were conducting the negotiations were conducting them on the basis of information and judgments that they had available at that time.

I think with hindsight, and knowing what was found out subsequently, namely, that the Soviets decided to buy a great deal more grain and other agricultural commodities than they had earlier indicated, it might have been possible.

In any case, the attempt should have been made to get a better deal but I must stress again that negotiators can operate only with the information available to them at the time, and the judgments they make on the basis of that information.

So, I hesitate, myself, to sit in judgment over those negotiators, because I think they were attempting to get the best deal for the United States, based on what they knew.

Senator BYRD. Well, they knew that the price was below the world price; did they not?

Mr. SONNENFELDT. That the price was below the domestic price?

Senator BYRD. That is right.

Mr. SONNENFELDT. Yes, but again I think—I do not want to pretend here to speak for other people, but they were operating from a background and in an environment where we, in order to export, had to sell at world prices and subsidize the difference.

Senator BYRD. What is your philosophy about the taxpayer subsidizing a grain deal of this type?

Mr. SONNENFELDT. Well, my own philosophy would be that in a situation of surplus, in order to be able to sell them, there is justification in doing that. But in a situation of heightened demand and shortage of supply, there is no justification in doing it.

Senator BYRD. That was the situation in which we found ourselves?

Mr. SONNENFELDT. I think in which we found ourselves, looking at subsequently with hindsight.

I wish myself, and again I don't want to sit here in judgment over those men because they can only operate with what they knew, but I wish that we had known what we subsequently found out. And I may say, Senator, that a number of steps have been taken in the interim to be sure that the Government will be better informed on these matters in the future.

Senator BYRD. What steps have been taken?

Mr. SONNENFELDT. Well, some by regulation, and some administratively within the Government. There is now a reporting requirement by grain traders that requires them to report regularly to the Government, contracts, negotiations that they are engaged in. At the summit with the Soviet Union here in this country in June, an agreement was reached on cooperation in various forms of research on agriculture, and it includes a clause in which the Soviets are obligated to engage in regular exchanges of information, including forward estimates on production, consumption, demand and trade of major agricultural commodities, so that we hope and expect to get from the Soviet Union clearer advance indication of what their demand is going to be.

I understand that the staff of the agricultural attaché in Moscow has been strengthened in order to gather information in a more timely fashion. I think the machinery in the Government for disseminating

that kind of information and for assessing it, the judgment of it, has been strengthened. There is going to be an uncertainty element in this even so because ultimately there has to be a political decision in Moscow, in the event of a shortage, of a short fall in the crop just how much they do, in fact, want to buy abroad. That is basically a political position taken presumably by the Politburo and there is difficulty in getting advance information on Politburo positions. But a number of steps have been taken, including the steps I have outlined, including the flow of information to the decisionmakers in the future if they will be faced again with that possibility. And I will say even though the primary responsibility is in the Department of Agriculture, if I am confirmed in this particular job, that will be one of the things I will keep a special eye on, not only in the case of agriculture, but any other commodity, any other item that the Soviets might come into our markets to buy, to get maximum information in the most timely fashion to the people who are going to be responsible for handling the negotiations and making the decisions on what our position should be.

Senator BYRD. What is your attitude toward subsidizing Soviet trade—of trade with the Soviet Union in the future?

Mr. SONNENFELDT. My attitude on that is very skeptical. I think trade should stand on its own merit. It ought to be carried on a business basis and the only exception that I am aware of was in this particular area where we thought of ourselves in a surplus situation where we were trying to promote exports for the benefit of our farmers and balance of payments. I think, as a general rule, trade should stand on its own feet without subsidy.

Senator BYRD. Is it your intention to oppose subsidizing subsequent sales to the Soviet Union?

Mr. SONNENFELDT. That would be my general intention. I would make the reservation that I would like to look at the case on its merits. If there is come particular advantage for the United States in moving some product that we have in surplus by means of keeping, making the price competitive with somebody else, then I might conceivably advocate that. But my general attitude on this matter will be to let the trade seek its own price level, and to have it go forward on that basis.

Senator BYRD. What is your view toward the United States loaning the money to buy the wheat?

Mr. SONNENFELDT. Again, sir, my view of that is that, in the environment of the time, that was a justifiable position. But if I had known—if I were a negotiator—what the Soviet demand was, how much of a short fall there was in their harvest, I would have probably not advocated the granting of credits.

I believe I testified before, on May 15, that a large proportion of that deal was a cash deal because the credit that was granted was for \$750 million for 3 years with no more than \$500 million outstanding at any one time, whereas the Soviets came into our market in excess of \$1 billion, I think \$1.3 billion, in just 1 year. So the whole balance had to be paid in cash and that deal was only partly financed by credit. But I think if we were to find ourselves again in a similar position of large massive Soviet demand, I would myself be—I wouldn't be—

it wouldn't be my own decision to make, but my own view of it would be that it should be paid for in cash.

Senator BYRD. The Soviets couldn't hardly lose on that other deal when we subsidize them and then lend them a good part of the money to buy the product, too. I don't think it would be a difficult decision for them to make.

Now, I note that they are loaning India a large quantity of wheat, 2 million tons.

Mr. SONNENFELDT. I see where they are giving them a grain loan of 2 million tons, yes. But I don't know whether they are actually going to make any particular money on that. I think the Indians, Senator—it is my understanding—came to us for a similar loan and we were unable because of the supply situation to do that.

Senator BYRD. But I would think that that would be something that is right down your alley. You ought to have rather detailed knowledge on what the Russians are doing in that regard.

Mr. SONNENFELDT. I can assure you that when, after what I hope you will do, you confirm me in my position, I will make it my business to have detailed knowledge. I am not in that position at the moment, but I have seen the reports that the Soviets have—are going to make such a grain loan to the Indians, which I believe the Indians will by the very nature of that arrangement have to repay them and, as I say, my understanding—

Senator BYRD. Now that gets to a point that I am very much interested in.

Mr. SONNENFELDT. Yes, sir.

Senator BYRD. The Russians, as you say, are very likely to demand repayment.

Mr. SONNENFELDT. Yes, sir.

Senator BYRD. Now, the Government of India owes the United States \$3 billion, at least that much, and our Ambassador, according to press reports, has negotiated an agreement with them, with the Indian Government, where we get, in effect, about 3 cents on the dollar for the amount of money that is owed to our country, owed to our taxpayers. I would like to get your view on that, your comment.

Mr. SONNENFELDT. Senator, that is not a matter that I have literally had any contact with at all.

Senator BYRD. I understand, I am talking about the philosophy.

Mr. SONNENFELDT. I would have to look at the specific circumstances involved, and I could give you my judgment on that after I have done that, but this is not a matter that I have had any connection with whatsoever, and I would have to study that.

Senator BYRD. But you are going to be dealing with other countries, you are going to be advising the Secretary of the Treasury and, through him, the President, on what this country should be doing in the way of making agreements of an economic nature with other nations, and I am interested in your philosophy.

Mr. SONNENFELDT. Well, I would have to give you a general philosophy, and that is that we should hold countries to their obligations to us, and to the fullest extent possible. I think it is also, however, the case that these kind of judgments have to be made in the light of other factors as well.

Now, I don't know what precise factors went into the Indian arrangement. But I think these matters will have to be decided in addition to the economic factors in the light of the political factors. The United States in the 1920's forgave a lot of debts that accrued during World War I. It made a political decision to do that on various grounds. That was criticized by a good many people. Nevertheless, the governments of that day made those decisions on the basis of all the factors that they considered relevant to that proposition. So my philosophy would be that if other governments have obligations to us, they should meet those obligations to the maximum extent feasible. If there are some extenuating circumstance why that may not be possible, then our Government will have to make a judgment in terms of our overall interests, and our overall relations with that country to see to what extent that obligation should be diluted, to what extent it may be acceptable to us to accept less than full performance on that obligation. But we should start with the proposition of full performance.

Senator BYRD. If a government is not to make full performance, do you think that the decision to accept less than full performance should be made by the executive branch or should it be made by the congressional branch?

Mr. SONNENFELDT. Well, I would hope that any decision, particularly of a major character, would be one that was reached by the executive branch in consultation with at least the pertinent committees of the Congress.

Senator BYRD. Let me phrase it this way: The executive branch, of course, has to do the negotiating and work out what it considers an appropriate agreement. Do you think that an agreement should be submitted to the Congress for approval or disapproval when we are dealing with large sums? I am not speaking necessarily of a small one, but when we are dealing with large sums of moneys, do you feel that should be submitted to the congressional branch for approval or disapproval?

Mr. SONNENFELDT. I would have to give you a judgment because it is difficult to say in the abstract. I think if large sums of money are involved, I think it would be helpful at least to consult, and I think perhaps in some—

Senator BYRD. Consult. I am not sure what you mean by "consult."

Mr. SONNENFELDT. Well, I think to get the judgment of the Congress.

Senator BYRD. Let's take an exact case. The Senate last Friday, by a vote of 67 to 18, specified that the arrangement negotiated by Ambassador Moynihan in regard to the money owed the United States by the Government of India, that that agreement cannot take effect, where it is roughly 3 cents on the dollar, without the approval of the Congress. Now, do you favor that legislation, or would you oppose that legislation?

Mr. SONNENFELDT. I must tell you in all honesty, Senator, that I have not thought about it in detail, but I can tell you my philosophy, and that is that we should act in major questions of this kind in close cooperation and collaboration between the executive and the Congress, and I think the question of which method of collaboration is used,

whether the method of informal consultation or the method of formal submission for approval, I would say would really depend on the case. My own judgment, my own instinct, would be that in important cases it is important to signal to the foreign government involved that we, as a nation, and we as a government in its totality are behind a particular arrangement or behind a particular agreement, and for that reason the congressional approval would be desirable. But I cannot really comment on this particular one because I simply am not familiar enough with its background to give you a firm opinion.

Senator BYRD. But you are certainly in a position to indicate approval or disapproval of the Congress itself making a decision as to whether a huge debt shall be canceled.

Mr. SONNENFELDT. Well, I think if you put it that way, and I am not sure that I can simply because I don't know enough about it, I don't know whether I can subscribe to your description of that particular agreement, but if you put it that way, I would think that there should be congressional approval, but that is my personal opinion. I honestly do not know, and I have not discussed it in the executive—

Senator BYRD. That is the view of 67 Members of the Senate as compared to 18 Members who took a contrary view.

Mr. SONNENFELDT. I would think that has considerable weight, Senator.

Senator BYRD. You are with the majority on that—in that regard.

I think the best I can understand though your idea of consultation is that the executive branch should talk with two or three Members of the Senate or four or five Members of the Senate and of the House maybe, and if that seems all right with them, then you go ahead and negotiate whatever is necessary, and that is all the Congress needs to do. Is that your view?

Mr. SONNENFELDT. No, I was describing a range of options, Senator, all the way from that to a more formal discussion with committees to actual advice and consent or endorsement by the Senate.

If I may give you an example from an area of my more specific experience, in the SALT negotiations that were completed in Moscow in 1972, one of those negotiations was a treaty where there was no question whatsoever of submitting it to the Senate. That was the ABM Treaty. The other one was the interim Agreement on Offensive Weapons which was not a treaty but an agreement, even an executive agreement, it was an interim arrangement. Nevertheless, the President and many of us felt very strongly that was of sufficient importance nationally to our country that it warranted congressional endorsement. So we went to the Congress, although I think if one had wanted to be a strict constructionist of the Constitution, it not being a treaty, there was no particular call for that. So I think one ought to have options of that kind available, and make—have available a whole range of cooperation with the Congress all the way from what you were just saying to formal endorsement by Congress of the United States, and where a fundamental policy is involved, where something, a new departure is involved, I would think it will benefit our own equanimity as a nation and our own reputation abroad if we can demonstrate that everybody who has a role is behind it.

But I would have to really say that one has to judge that in each given case and one should not make a rigid general rule.

Senator BYRD. Since you brought up that interim agreement, in hindsight how does it impress you?

Mr. SONNENFELDT. In hindsight it impresses me as a satisfactory agreement in the circumstances then prevailing and now prevailing.

Senator BYRD. Do you feel that the Jackson amendment, which was made a part of the interim agreement, was a wise and desirable thing for the Senate to do?

Mr. SONNENFELDT. The Executive, I believe, supported it.

Senator BYRD. I am speaking of your view.

Mr. SONNENFELDT. My view is that that was a wise and proper thing to do, and I think that our negotiating position is in conformity with it.

Senator BYRD. You mean a negotiating position on the SALT II talks.

Mr. SONNENFELDT. That is right, sir.

Senator BYRD. At the time that arrangements were being made for the Russian grain sale what advice did you offer with regard to pricing, lines of credit, and other terms of the transaction?

Mr. SONNENFELDT. None whatsoever, I wasn't asked and I didn't know about it.

Senator BYRD. Do you agree with Secretary Shultz who just recently said, in commenting on it, "We got burned."

Mr. SONNENFELDT. Even before working for him I would agree with the Secretary of the Treasury, Senator.

Senator BYRD. It has been reported that Secretary Kissinger, then assistant to the President, with whom you were associated, of course, was anxious to make concessions to the Soviet Union in connection with the grain sale. What was your advice to Dr. Kissinger in this area?

Mr. SONNENFELDT. Well, we did—as I said before, I was not at all consulted about that particular matter but I must say from my own personal experience I have never known Dr. Kissinger to make concessions to the Soviet Union on anything.

Senator BYRD. You don't deny that concessions have been made to the Soviet Union.

Mr. SONNENFELDT. Well, in a negotiation there is going to be some trading back and forth, but I don't recall, I can't recall, any occasion in the 4½ years, more than 4½ years, that I have been associated with Dr. Kissinger and that I have been in the White House that there has been any eagerness or anxiousness to make concessions. You make the minimum necessary concessions to get a sound agreement but I have never known any zeal to make concessions to exist in that quarter.

Senator BYRD. Well, two memoranda have been published which it was stated were sent by Dr. Kissinger to the Secretaries of State, Commerce, and Agriculture, the first being dated January 31, 1972, and I will quote that:

One of the possible areas for increased trade with Russia relates to agricultural products and CCC outlets. Agriculture should take the lead in a new public discussion. If negotiations with the Soviet should take place the United States' team should be headed by a representative of the Department of Agriculture.

Then another dated February 14, 1972:

The Department of Agriculture, in cooperation with other interested agencies, should take the lead in developing for the President's consideration a scenario for handling the issue of grain sales to the U.S.S.R. This should include a recommendation on how the private transactions of U.S. grain sales would be related to government actions, including the U.S. opening a CCC credit line and a Soviet commitment to draw on it. In cooperation with the Department of State, Agriculture should explore with the U.S.S.R. the time and modalities of beginning such negotiations as soon as possible. This should be submitted to the President by no later than February 28, 1972.

Do you concur in the policy implicit in these directives?

Mr. SONNENFELDT. Well, as I hear you read them out, assuming them to be accurate representations or quotations from directives, I would guess—you are talking about January and February 1972?

Senator BYRD. Yes.

Mr. SONNENFELDT. Yes. I would guess that those were connected with some early soundings beginning during former Secretary of Commerce Stans' mission to Moscow in November-December of 1971, about the possibility of selling some grain to the Soviet Union, again against the background of our trying to move some of our surpluses, and from what you have read, the first one seems to be saying that if this happens the Secretary of Agriculture should take the lead. I think there was perhaps some question because the Secretary of Commerce had had the first soundings of it, the Secretary Butz, I think, was preparing to go to the Soviet Union in the spring, so I think the first one that you have cited was intended to be sure that the Secretary of Agriculture has the principal responsibility in this area.

I think that again in the environment in which we were dealing, I am giving you a judgment now, not having studied these particular documents, the arrangements presumably, the kind of negotiating positions ~~that were being talked about~~ was one that was similar to positions we were taking with other countries against the background of wanting to move surpluses, and I believe you mentioned something about a negotiating scenario or negotiating position being submitted to the President. I think that is a standard practice in the White House, if there is the possibility of an impending negotiation to ask the agency or the Cabinet officer concerned to submit to the President a scenario or plan, a game plan, if you will, of how he proposes that negotiation—so the President can look at it, approve it, or modify it as he sees fit.

My judgment would be that in early 1972 before anyone was aware of any serious harvest problems in the Soviet Union, the United States was getting itself ready for the contingency of a possible grain negotiation and that, as I hear your quotation, that is what this was all about.

Senator BYRD. Well, originally it is my understanding that, originally was that, the Soviet Union would make purchases of American feed grains. When did it become evident that the Soviet had a major interest in the U.S. wheat crop?

Mr. SONNENFELDT. Again, speaking without direct involvement, my impression is, Senator, that did not become evident until even after the summit, which was in May of 1972. I don't think that became clear until—I am not saying this from direct personal knowledge but my impression is that that wasn't really indicated until about June of 1972.

Senator BYRD. What accuracy is there to the assertions that the Russians traded very heavily in wheat futures?

Mr. SONNENFELDT. At what time?

Senator BYRD. During the, prior to and during the negotiations.

Mr. SONNENFELDT. During which, the June negotiations?

Senator BYRD. No, the original negotiations in regard to wheat and feed grains.

Mr. SONNENFELDT. Well, I have no information to substantiate it. If there is information I can try to get it for you but I had frankly not heard that that was the case. I have, of course, heard that while the June negotiations were carried on, were going on, they were not only trading in futures but actually had their purchasing agents here but I am not aware of any—

Senator BYRD. Let's discuss that aspect of it then.

Mr. SONNENFELDT. All right.

Senator BYRD. Let's bring out what facts you have in that regard.

Mr. SONNENFELDT. As I understand it, it turns out that while the Soviet Government negotiators were here negotiating a 3-year grain deal, their purchasing agents were actually in New York or wherever negotiating with American grain traders for substantially larger quantities of grain than were being negotiated about in the governmental agreement. That is what I understand from reading the press and from subsequent reports about it. But I don't believe that that information was available to the negotiators or even if the negotiators knew of several contacts between Soviet purchasing agents and various American traders, I don't know that it was apparent to the American Government that all the quantities being talked about were cumulative rather than the Russians shopping around for the same amount but with different traders to see if they could get a better deal. It turns out apparently these were cumulative rather than competing bids, as it were.

Senator BYRD. What consideration was given to the impact of the Soviet grain sale on the American economy and the American consumer prior to consummation of the deal?

Mr. SONNENFELDT. Well, you raised that question with me at my previous hearing, Senator. Again, in terms of the deal that was being discussed at the time, which was one spread out over a 3-year period, I don't believe anybody felt that it would have any noticeable impact on domestic prices at all because we were dealing with surpluses. So that—in that deal—had that been consummated, had that been the totality of Soviet purchases, there would not have been any impact.

The impact, of course, is not due solely at all to what the Soviets then turned out to be buying in this country, which was substantially larger than \$750 million spread over 3 years, but to a whole confluence of circumstances in world grain demand and other factors. But I am not aware that any review was made of the probable impact on domestic prices of the Government deal which, as I say, was one spread out over 3 years, connected with surpluses, related to surpluses, and not likely to have any impact on American domestic prices.

Senator BYRD. When you are called upon to furnish your counsel as to future international trade agreements, what lessons from the experience of the Soviet grain purchase do you think you should take into account?



Mr. SONNENFELDT. Well, one is never to underrate the capitalist skills of Communists.

Senator BYRD. Wait a minute. Would you say that again?

Mr. SONNENFELDT. One is never to underrate the capitalist skills of Communists. I think somebody has said that they are pretty sharp traders, and I think that is a lesson we should well learn because, as trade increases in volume, I think we may encounter more of that.

I think the point you just raised in your earlier question—the domestic impact—is something that should be looked at. I think the grain deals, the grain trade of 1972 and 1973—1972 anyway—was probably quite an unusual event in its magnitude. I doubt that we will have soon again purchases of that magnitude on our domestic price structure but, in any event, that is something that should be considered before any deal is consummated.

Senator BYRD. Can you explain why it was necessary for the United States to grant a line of credit amounting to \$500 million—you said \$750 million—I believe, in connection with that sale?

Mr. SONNENFELDT. Well, it was deemed necessary, it turns out objectively perhaps not to have been necessary in light of the demand but it was deemed necessary, because we thought of ourselves as in a surplus situation trying to move surpluses and making it attractive for a potential buyer to bargain. That was the whole philosophy and has been the whole philosophy of our grain exporting policy up until last year. But the supply-demand situation in the world has changed and now we have got a new situation.

Senator BYRD. You played a major role in negotiating the trade agreement with Russia, signed on October 18, 1972. Do you believe that this agreement is to the advantage of the United States—and I am sure you do—and would you give your reasons?

Mr. SONNENFELDT. I do believe that it is to the advantage of the United States, although it is not unilaterally so to the United States. There are advantages to the Soviet Union as well.

Senator BYRD. Let's put on the record both advantages—advantages to the United States and advantages to the Soviet Union.

Mr. SONNENFELDT. I think the principal advantage to both countries is that this agreement set a framework for trade to begin to start up. Both countries were interested in that, certainly our business community was interested in it, but our Government had come to the conclusion that, after the evolution of Soviet policy that had gone on in the 4 previous years, we should cautiously but nevertheless concretely begin to relax on our trade restrictions and start up. This agreement, 3-year agreement, had the purpose of creating the framework for starting up, and to provide an opportunity for review at the end of 3 years to see what lessons we would have learned and how it might be modified and approved.

The principal aspects to the agreement that I think are to our advantage relate to Soviet agreement to provide adequate business facilities for our companies in Moscow, which the Soviets have been notoriously reluctant to do, but they agreed to do that and they have actually begun to do that although, strictly speaking, the agreement is not in force; to provide improved commercial representation for our Government in the Soviet Union, which they have done, and I believe the Secre-

tary of the Treasury has actually opened that office while he is in Moscow this week; to provide for the possibility of third party arbitration in the case of disputes, which is the first time the Soviet Union has ever agreed to permit a third party to enter a dispute—

Senator BYRD. What type of disputes are you speaking of?

Mr. SONNENFELDT. Commercial disputes between American firms and Soviet trading organizations. In the past, the Soviets insisted that any such dispute had to go before their courts for adjudication. That didn't strike us as perhaps the optimal way to protect the interests of an American firm. So the Government here was able in the negotiations to get Soviet agreement to the utilization of third party arbitration.

We also have, in this agreement, Soviet commitments not to engage in practices that would disrupt our markets, and we have provisions in there for consultation with them in the event that any of their exports have disruptive effects in our judgment. We have various other recourses to protect ourselves against that but in this particular agreement the Soviet put themselves on paper as not engaging in such practices.

So I would say those are the main benefits that can accrue to us from this agreement as trade starts up between ourselves and the Soviet Union. It is an area in which we will have to learn because it is new. We have had no trade with the Soviets to speak of since World War II. That is why this agreement, as I said before, has a 3-year duration so we can look at it again to see what problems have arisen. I don't myself see any major disadvantages in this agreement to us—in fact, I don't see any. It is a good workmanlike agreement that enables us to start up our trade relations with the Soviet Union in a cautious way and in a way that benefits us and undoubtedly benefits them. There undoubtedly will be more trade.

Senator BYRD. Let's get back to that in a moment. I want to get to Senator Mondale.

Senator MONDALE. I don't want to interrupt the very important line of questioning but my schedule requires me to be elsewhere.

As I understand it, this nominee's nomination was sent up here in April—about 5 months ago—and I also understand that the chairman of our committee has checked the FBI files and is convinced that there is no problem in that sector, and I think it is obvious from his record that he is a man of—

The CHAIRMAN. If you will permit me to say it, Senator, I don't find anything there that is supported by other than just allegations that somebody makes against one. My guess is I could send somebody out to Minnesota, to your political opposition—

Senator MONDALE. Don't do that.

The CHAIRMAN [continuing]. And find a lot of allegations against you. And if you did it against me I know you will find more against me if you just send out to Louisiana. So just for someone to make an unconfirmed allegation against someone in those raw FBI files is not the kind of thing that the committee is concerned about. Most of it wouldn't be said under oath, with this kind of information that one would find where a full field investigation is done on a man.

But I find nothing in those files that would support any of those allegations, and some of them are pretty far fetched rumors. In some cases, they are the kind of thing that says, "Well now, this man, I heard that that man did such and such but then it might not be, it might be his brother that did that," that sort of thing.

Mr. SONNENFELDT. Don't say that about my brother.

The CHAIRMAN. I didn't mean to drag your brother into it. I didn't know you had a brother until I looked at those files. But that is not the kind of thing this committee ought to look at.

Mr. KOCZAK. Mr. Chairman, if I may, I believe my name was introduced.

The CHAIRMAN. I was going to ask you about it.

Mr. KOCZAK. By Otepka and Mr. Hemenway. I believe at this time I should, before the committee adjourns, I should like to make a statement under oath indicating that there is sworn testimony and indicating why up to now the FBI agent who was knowledgeable has not been allowed by the Department of Justice and the FBI to make it available. He is in an undercover operation which is very important.

The CHAIRMAN. I will ask you to be called on in a moment, Mr. Koczak, but I would like to proceed in orderly fashion. I will ask if Mr. Otepka is in the room because I am aware of the fact that Mr. Otepka sent us a wire. I have not yet seen it, but I understand that it refers to Stephen Koczak. I was going to ask if Stephen Koczak is here, and I would suggest by all means that this committee ask what you know about this matter. So far as I am concerned, if someone has something they can confirm or support against this man, it ought to be presented. But I don't think that we ought to continue to drag out this confirmation on unsupported allegations, charges or suggestions or innuendo.

Proceed.

Senator MONDALE. I appreciate the position of the chairman of the committee and support it fully.

It is my reading of Mr. Sonnenfeldt's record that he is a man of, first, extraordinary experience and, second, from everything I can tell he is very, very able, and there is no question but that the position he occupies or should occupy is one of the most important in American government, and anyone who looks at our trade situation, our monetary situation, the negotiations that are pending in GATT and the monetary reforms and so on cannot help but be concerned about whether leaving that position unconfirmed hampers the efforts of our Government in this critical area.

I have got some problems with this administration's policies on shortages, on trade, on monetary reform, on détente, many things, but I don't want to visit those problems on Mr. Sonnenfeldt. Those are Government policies, and I would think after 5 months that we should try, as the chairman has said here, to move expeditiously to act on this nomination. I intend to vote for his confirmation because I think he is an outstanding nominee.

Thank you very much, Mr. Chairman, for letting me make that statement.

Mr. SONNENFELDT. Thank you.

The CHAIRMAN. Might I say, I have asked the staff to undertake to obtain for us Mr. Koczak's statement before the House committee, which I have not yet seen.

Senator BYRD, would it be all right if you let Mr. Koczak tell us what he would like to testify to about Mr. Sonnenfeldt? I would like to hear it.

Senator BYRD. Do you want to do it before we finish—my line of questioning has nothing to do with the security aspect of it at all. It is entirely something else.

The CHAIRMAN. I am going to have to go to the floor shortly. Would it be all right to do that?

Senator BYRD. All right.

The CHAIRMAN. If it is all right I would like to ask Mr. Sonnenfeldt to step aside momentarily and I would like to ask Mr. Koczak to come testify.

I am going to ask both you and Mr. Sonnenfeldt to testify under oath about this matter, so I would like to ask you to be sworn.

Do you swear the testimony you give will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. KOCZAK. I do.

The CHAIRMAN. Please identify yourself for the record.

**TESTIMONY OF STEPHEN A. KOCZAK, DIRECTOR OF RESEARCH,  
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES (AFL-  
CIO)**

Mr. KOCZAK. At the moment I am director of research, American Federation of Government Employees. I was a Foreign Service officer, Department of State, for 20 years. During that time I served in a whole series of crisis posts. I generally was assigned because—

The CHAIRMAN. I would like to be sure that Mr. Sonnenfeldt can hear this. Can you hear the witness from where you are sitting Mr. Sonnenfeldt?

Mr. SONNENFELDT. Yes, sir.

Mr. KOCZAK. I served on the staff of Ambassador Murphy in Berlin. I was on the staff of Mr. Chapin in Budapest, Hungary, where I was expelled on 48 hours' notice by the Hungarian Stalinist Government allegedly for conspiring to overthrow the Hungarian state with Cardinal Mindzenty. Cardinal Mindzenty was arrested, as you know and tried. I believe his memoirs are about to be published. He is in the United States today, up in New Brunswick. I was given 48 hours to leave, to preclude my presence at the trial.

I then came back and was assigned to Israel. In Israel I was present during the terrible crisis in 1956 resulting from the very poor foreign policy of the United States with which I disagreed. I prepared a letter of resignation, in protest. At that time I thought we would drive both the Israelis simultaneously with the Egyptians out of our camp. I don't know of a worse instance of mismanagement in the history of foreign affairs than occurred while I was in Israel. I possessed very fine relations in Israel with the New York Times; and I want to go on record that probably more New York Times correspondents filed more stories

on the basis of their conversations with me than with any other Foreign Service officer, including Mr. Sonnenfeldt.

I want to emphasize at the outset that my appearance here is not at all out of ideological considerations. The circumstance that I was asked to comment on Mr. Sonnenfeldt had little to do with him directly or with this hearing. It occurred 2 years ago in connection with an inquiry by the House Internal Security Committee into State Department suitability and security practices. To that committee I emphasized that in my opinion the problem in the State Department, about which I was knowledgeable, was not so much a matter of loyalty but of very poor administration. In fact, there was an inability or unwillingness to protect the individual reporting officer.

When I was a Foreign Service officer, my greatest danger was that I could not report honestly. In Berlin I predicted the building of the wall, I argued that it was going to happen and I found that my information was being suppressed.

I am a great believer in freedom of access of the press to information. So that I do not share some of the criticism that you will hear about Mr. Sonnenfeldt. Whereas I think he might have violated technical regulations of security, some of those are somewhat understandable, I believe, because the Congress and Senate should know what is going on and the press should know. I want to clarify that my testimony has very little to do with some of the other criticisms that you hear about Mr. Sonnenfeldt.

When the testimony on State Department was being generated at that time by the House Internal Security Subcommittee I told them I would not want to be in a situation where someone would say it was "hearsay" or "allegation" or people saying "so and so." My concern with the case of Mr. Sonnenfeldt arose because of my experiences in Israel with the way in which the Sharett government, was undermined by Mr. Ben-Gurion and, the Peress-Dayan faction. This faction had, without the knowledge of the Israeli Government, arranged for blowing up the American, United States Information Service Library in Cairo. This conspiracy generated the so-called Lavon affair which is a scandal as great as the American Watergate affair.

The American Embassy in Tel Aviv did not feel secure in transmitting messages about this affair to Washington because of the feeling that within the same day everything would be known to Israeli intelligence. The CIA Chief of Station in Israel will confirm I discussed this whole problem of security with him in 1959 when he came back. This insecurity of the American missions abroad was a matter of very great concern to me as a Foreign Service officer. It not only meant the subordinate officers couldn't report honestly but senior officers were concerned their their opinions and comments of the U.S. Government were being filtered back to foreign powers.

Now, the specific circumstances of my testimony today was a matter of accident. As I said to you, I was very close to the Israelis. I was very critical of Mr. Dulles and had actually prepared my resignation in protest. The labor attaché in the American Embassy talked me out of it, saying it would serve no useful purpose since the State Department would allege I was excessively pro-Israel. I also feared follow the Aswan Dam situation that the Egyptians would go over to the Soviets,

as they did; that the Israelis would go over to the French as they did; and the Sinai War developed.

The Labor Attaché—if you wish to have it confirmed he can confirm it—said: "There is no point in submitting a resignation. This will be a 1-day affair and why don't you stay on."

The Israelis then proceeded to do precisely what I feared, which was to align themselves with the French and you know the whole problem of the Sinai campaign which coincided with the Hungarian revolution.

I had been in Hungary, and had been expelled by its government in 1949. On August 20, 1956, a Hungarian purchasing mission had come to Israel. Because I knew Hungarian, I was asked to interview one of its members who said he would like to talk to us, and subsequently when I debriefed the man he outlined the entire Hungarian Revolution that subsequently took place. I passed it over to the same CIA man who later on plays a role in the Sonnenfeldt inquiry. The Hungarian said he was trying to set up a courier service for the revolution which was coming: he identified the persons involved. I turned this all over to the CIA and, of course, he said he wanted some money and the CIA said he would give him the amount paying for the watches he wanted and—

The CHAIRMAN. That is all fine, but I would like to get to the point. What does this have to do with Mr. Sonnenfeldt's qualification as Under Secretary? What do you know about Mr. Sonnenfeldt that suggests he shouldn't be confirmed for the job? That is what I want to know.

Mr. KOCZAK. As I said I wished to explain that I came up here purely to present facts and not out of ideology. I did not try to testify whether he should or should not be confirmed because it was not my intention to focus on Mr. Sonnenfeldt when hearing started down in the International Security Committee. I gave you the background to indicate how I came to observe what I did observe. This was a communication by Mr. Sonnenfeldt of classified information at an Israeli party where a large number of Israeli officials were present. He disclosed to them the contents of highly classified telegrams which he had seen as a member of the Bureau of Intelligence Research I had seen these telegrams also as a member of the Bureau of Intelligence Research. They concerned the negotiations between the U.S. Government and Lebanese Government.

As you know the Lebanese Government is a kind of a confederation and so some of our people were seeing one set of officials, others were seeing another set of officials. At this party Mr. Sonnenfeldt in great detail explained the opinions of these different groups, the contents of these telegrams.

We had a ruling in the Bureau of Intelligence Research that nobody, absolutely nobody was allowed to see any foreigner without prior clearance. If he came across a foreign diplomat accidentally without prior clearance by the head of a department, he had to report the circumstance of the meeting. I had obtained prior clearance.

I went into this background and service I had in Israel to indicate why I was invited. These were personal as well as official friends with whom I had dealt. I sympathized with their problems and they knew my friendly feelings.

I was therefore quite startled at what transpired. I learned subsequently that Mr. Sonnenfeldt had not gotten prior clearance to

attend the party. In fact he did not report later on the substance of the conversations. It became clear as I listened that he had had prior meetings with these people and was planning subsequent meetings with them. It became clear to me then that this was part of the problem that Sharett had had and part of the whole problem as to why the American embassy in Israel felt so totally insecure. This was one reason why the information went back so fast because this was one of the ways in which a foreign power, in this case Israel, was able to obtain information unknown to the U.S. Government.

I want to make one statement. I see far less risk to the U.S. Government if all its secrets are published by the New York Times and the Washington Post—that means the U.S. Government knows what is in the public record and knows foreign powers know it—than this kind of situation where the U.S. Government's secret information is disclosed to another power (whether it is Israel or Argentina or Great Britain) and the U.S. Government itself does not know that this information is compromised because it has been delivered.

I don't say Mr. Sonnenfeldt is disloyal. If you later on see the testimony I gave the House Committee you will see that I think disloyalty is not the issue. The issue is the way in which certain officials in the Department of State operate, the protections they have from accountability. I mentioned earlier that acting Director of the FBI—I hope people would not say that this is hearsay—destroyed records in the Watergate affair. The FBI has destroyed other records.

In the Sonnenfeldt case, I didn't go to the FBI; instead the CIA official I knew went to the FBI security liaison man to CIA, that is to the top man from the FBI at the CIA who then came to see me. He asked me what the facts were. He said there were other reasons that the FBI had for suspecting Mr. Sonnenfeldt. I said, "Well, you know I don't want to deal with you. I have already reported this to the Department. They haven't done anything." The FBI then went to the Department. I was called in by State Department Security and I was asked to identify the telegrams and I did. And I heard nothing more. Subsequently the FBI officer came back to me and said, "I suppose you are curious to know what happened." I said, "Yes, I am."

Senator NELSON. May I interrupt. Could you give us some dates, I don't have any notion what years you are talking about.

Mr. KOCZAK. Fifty-eight and fifty-nine.

Senator NELSON. All of this is 1958 and 1959.

Mr. KOCZAK. Fifty-eight and 1959. This was during the Eisenhower doctrine on the Middle East.

The CHAIRMAN. Go on ahead before you lose your trend of thought, because I want to hear you.

Mr. KOCZAK. He said, "Well, you know what happened, when we discussed this with the State Department we felt that in light of this and other information that was available on Mr. Sonnenfeldt, that prosecution was warranted but the Department of State had determined that the information in those telegrams concerning the Lebanese Government and their relations with us was so sensitive that they could not be entered as evidence and for this reason no prosecution took place."

Now, in its inquiry of the State Department and Federal Government security, I was asked by the House Internal Security Committee

staff to comment on Mr. Sonnenfeldt. His activities had been discussed by other parties. For example, Mr. Otepka had appeared before them. I was asked to testify and "I am not prepared, in light of the passionate position feelings on Israel to testify until you get a confirmation from the FBI that they came to see me. I am not going to have anybody challenging me one day and say 'You are going around making hearsay statements about this man or about his brother and confusing it.'"

I wanted the record to show I was approached by the FBI, to identify who it was who visited me; who asked them to make the inquiry and what the secrets were.

Mr. Ashbrook then wrote a letter to the FBI and a year transpired before the Justice Department was prepared to confirm that an FBI agent came to see me. It was during this period, remember Mr. Edgar Hoover died, that the Acting Director of the FBI destroyed some records. And I want to emphasize that the Acting Director of the FBI himself, a public authority, saw fit to destroy some Watergate records. I think Senator Ervin will confirm, that it is in the record. I say to you that I am not sure at this time whether the FBI man that I talked with still has a cover operation for the FBI. I was told by my CIA contact, "He technically is no longer with the FBI, he is in a covert security operation; please do not use his name, be circumspect about it," I have done so and I don't feel free, except in executive session, to say anything more. But that is the circumstance under which I came here to testify before you.

I have no animus against Mr. Sonnenfeldt. I served with him. He is urbane, he is intelligent, he is a good carrier of argument, certainly his talents are superior to those of most people. It is with great regret that I come here and have to testify. I think the man is being done an injustice that this thing was not settled back in 1957. He should have been called in and I should have been confronted with him. I think it is a sad thing that I have to appear here publicly before you. It is a sad commentary on our security apparatus, on the whole structure of our Government, that you publicly have to hear here what he should have heard in a room where he and I confront each other and where this matter could have been resolved under oath.

And I wish, unless you want to go into specific details, to conclude my public testimony here. I urge that you call the FBI agent who came to see me and interview him and enter his remarks in executive session.

The CHAIRMAN. I think we ought to know more specifics. What was it that Mr. Sonnenfeldt told you or at least told at this party which you feel was a matter of revealing?

Mr. KOCZAK. I think you should have gotten that from the FBI files shown you and you can get it from the State Department. The telegrams were classified. I don't know whether the State Department feels they can be unclassified even now. They have all been identified by me. The security officers who conducted the investigation, if they had made records of it, would know what the serial numbers are and they can paraphrase them and they can send the subject matter of the telegrams over to you. I am bound. I do feel that I also have to maintain national security. I don't feel free to disclose the contents of those telegrams. They were top secret telegrams, some of them generated by



another agency. I think they can be shown to you. The State Department knows which ones they are, I identified them.

The CHAIRMAN. I don't think it is going to help somebody break a diplomatic code or anything of that sort for you to indicate what the problem was and what the issue was that you were discussing.

Mr. KOCZAK. It involved all kinds of arrangements that would take place, how the Lebanese Government would react to landing of American troops and support services for them. It did involve the questions of the support of U.S. troops. It was the problem of the fear of the overthrow of the Lebanese Government, many of whom would be highly compromised. They might be shot by some Palestinian guerrillas even now if it were known they were in fact negotiating the landing of U.S. troops and what the arrangements were. That is what was involved and it was a very serious matter.

Now if it had been a general discussion, or if Mr. Sonnenfeldt had been expressing his personal opinion, it would not have been serious. If it was material that was not so copious—I would have passed it off, you know, as the sort of thing that I myself might tell. I myself was interviewed after by the press and I believe I was very frank about other matters. I know Mr. Binds from the New York Times who is in this room now. I know some other correspondents in the room here I would be inclined to think the people and the Congress had a right to know, and in my testimony you will find that my feeling is that there is a right to know and we should not be carping in our security classifications. Moreover, to reiterate, I think an injustice is being done Mr. Sonnenfeldt and to me that in a public hearing at his confirmation as Under Secretary for the Treasury something has to be resolved and held over his head with the lapse of so much time. It is a scandal that the Department of State and its own security people have allowed this to go on without having developed a formal complete transcript by asking him to come in and asking me to come in. I think there was and is a real dereliction of security in the Department of State on this.

Now, I am embarrassed by having to come before you. I find this man has very great talents in other respects. I don't know if he was acting, as he did with the Israelis under instructions. There were operations, you will be shortly hearing about President Franklin Roosevelt's operation of something that goes far beyond Mr. Nixon's, which should shortly appear. Roosevelt used people in the Departments of Agriculture, Interior, Commerce, and elsewhere, and they were doing it under instructions. I don't know what Mr. Sonnenfeldt's defense will be. All I know is I observed a very serious violation of security.

I think you might, if there are sufficient safeguards made and the FBI man who supposedly has his cover operation, is free to come you may want to hear him in executive session.

The CHAIRMAN. Any further questions?

Senator BYRD. Not to this witness.

Senator NELSON. Let me ask a question. Is the party that you are talking about or reception—

Mr. KOCZAK. Yes.

Senator NELSON [continuing]. Was in Israel?

Mr. KOCZAK. It was by a friend of mine who had recently moved into that house and he had practically the entire Israeli Embassy and other people there.

Senator NELSON. It was in a private home.

Mr. KOCZAK. Yes, sir.

Senator NELSON. And was the friend of yours—

Mr. KOCZAK. A member of the Israeli Embassy.

Senator NELSON. He was a member of the Israeli embassy.

Mr. KOCZAK. He had been with the Israeli foreign office in the American Division when I was in Israel. I saw him often officially and personally in Israel.

Senator NELSON. And it is there that you heard the conversation to which you referred.

Mr. KOCZAK. Yes, sir.

Senator NELSON. And then did you report that?

Mr. KOCZAK. Yes, sir; I reported it. I got permission to go, I reported what had transpired and I raised a question with my superior as to whether Mr. Sonnenfeldt had, in fact, gotten permission to go, what his report was, I had done my duty and I did not pursue it until this man from the CIA, the Station Chief of the CIA in Tel Aviv, came back and told me other security breeches appeared to have happened during the war in the Sinai campaign and the U.S. landings in Lebanon. I went over the whole matter with him, what were some of the ways in which the Israeli Government has access to information that had been generated by our Embassy so rapidly that officers in our own mission were afraid to send out telegrams, because they felt that it was so quickly leaked back to the Israeli Government that they were identified and they could be compromised themselves. Not only would the telegrams be compromised, but the individuals who drafted them, would themselves, be compromised.

Senator NELSON. But you did report to your superior as best you could recall it, the conversation.

Mr. KOCZAK. Yes, sir.

Senator NELSON. That you overheard at that reception.

Mr. KOCZAK. Yes, sir.

Senator NELSON. And that was in what year?

Mr. KOCZAK. Fifty-eight.

Senator NELSON. And then all of this information that you have respecting this matter you have reported to the FBI.

Mr. KOCZAK. Yes, sir. I mentioned this August 20 Hungarian incident showing how close I was to the CIA agent.

Senator NELSON. This was August 20, 1958.

Mr. KOCZAK. No; this was back in 1956. That my relationship with the CIA agent was very close. When he came back from Israel he looked me up and said that subsequent to the Sinai campaign, there were other leaks of information, that the Israeli Government was fully knowledgeable and that one of his problems was communicating information to his own Government secretly and he said this problem continued and continued to concern his agency as well as the Department of State. I narrated to him this incident about Mr. Sonnenfeldt. He said, "I think, I will ask our FBI liaison man to look into it." and then the FBI came to see me in 1959 and I was asked to identify the telegrams. Up to that time the State Department did not take notice of any report. I was called in to identify those telegrams which were compromised. At the State Department they have the numbers, the material, the dates. Assuming they have a good security program, they

can show the date to you today regarding the telegrams, including the dates. There should be no difficulty for you in getting, in proper classified form, all the substance of the material that was transmitted. I identified them clearly by written notes, so there is no problem that you should have. I didn't keep records, it would be improper for me to take home top secret messages, but the State Department has the data, at least in the security office. If they are not giving it to you, it means they are a party to the withholding of information just as the Acting Director of the FBI was a party to burning up some information that he had.

Unless you are prepared to take seriously the question of the whole management of the U.S. diplomatic service and the problems they have. If you want to read my testimony you will see that I certainly am not a "Right Winger," you will see that I have no quarrel with the New York Times, you will see my concern here is purely the problem of protecting the Foreign Service people in the discharge of their professional duty.

I regret very much, I want to repeat, that you had to hear about this incident here so late when this man is being nominated for Under Secretary of the Treasury. It is an injustice to him, it is an injustice to me.

Senator NELSON. The issue you raise respecting this nomination is solely confined to this one incident.

Mr. KOCZAK. Yes, sir.

Senator NELSON. To which you were an observer.

Mr. KOCZAK. Yes, sir. I didn't raise it. My name was submitted to you and I am under subpoena before the other committee and I would have much preferred that I would not have had to testify openly. I would not have done so excepting that Senator Long said that there was no evidence in the FBI file, it was "hearsay." I think this is incorrect. He has been misled, perhaps been misled by the FBI. I want to repeat once again the Director, the Acting Director himself destroyed some documents so there are some people in the FBI who are quite prepared to mislead you.

The CHAIRMAN. There is some statement somewhere that someone said that Mr. Sonnenfeldt said something at a party that he shouldn't have said. If he did, it would not be the first time someone said something at a party he shouldn't have said.

Mr. KOCZAK. That is correct. The State Department should be able to tell you what it is because they have, you know, my report.

The CHAIRMAN. Now, let me ask you, were there other people there?

Mr. KOCZAK. Yes, sir.

The CHAIRMAN. People who would support your statement?

Mr. KOCZAK. Most of them are Israelis who will say it is a "damn lie." I don't see why they should support it. After all, it supports their interests to be able to pick up this kind of information.

The CHAIRMAN. Were there other employees of this Government there?

Mr. KOCZAK. Not to my knowledge.

The CHAIRMAN. Yes.

Mr. KOCZAK. There may have been. I don't think they would have heard but you know it was a party and the circumstance was rather

interesting that I could have overheard. I could have been in another part of the room and not overheard it.

The CHAIRMAN. Are you presently employed by the U.S. Government?

Mr. KOCZAK. No, sir; I am employed by the American Federation of Government Employees, AFL-CIO. I am Director of Research specifically.

The CHAIRMAN. Have you ever been an employee of the CIA?

Mr. KOCZAK. No, sir; I was an employee of the Foreign Service of the United States for 20 years.

The CHAIRMAN. Foreign Service only, not the CIA.

Mr. KOCZAK. No, sir.

The CHAIRMAN. Congressman Ashbrook, as you know, is concerned about this matter. He has addressed a letter to us which concerns the matter about which you are testifying here.

I would like to ask you, while you are here, if it is your impression that Mr. Otto Otepka knows any more about this than you know, or is it your understanding that his knowledge of this matter is gained either from or through you?

Mr. KOCZAK. Mr. Otto Otepka himself is concerned with other matters. You know there were long hearings on his controversy, he himself was bugged, his documents were taken from him surreptitiously. Senator Eastland, Senator Dodd became involved in this case. The Department of State had set up an electronic surveillance unit. For a long time it pretended it hadn't. The fact was published in the newspapers, Secretary Ball told Senator Fulbright it wasn't true. I think all this information was entered in the Senate records. Senator Fulbright has a newspaper account showing where the electronic surveillance center was located and anybody who made a telephone call out of the State Department even through a public phone could be automatically "wire tapped" and recorded. This is all in the record. I am not revealing any new information here.

Mr. Otepka, I think, to his personal knowledge knows of Mr. Sonnenfeldt's ties to newspaper people. As I said, I make a distinction between what I observed and this news leak element as a matter of value judgment.

Mr. Otepka, after all, was the security officer, he is able to comment on that, the existence of that room, where it was, where it was previously. I wouldn't say this excepting it has appeared on the newspapers associated with Secretary Ball at that time, and he denied it. But I believe that is the source of his information.

Now he then was supposed to evaluate the information on Mr. Sonnenfeldt. He was the evaluator, I don't want to anticipate what he will say but I think he is a direct source. He has said that the lady who made the transcript of the wiretap on Mr. Sonnenfeldt herself can be called by you. She will testify as to the fact that there was this information. But that I know just from the press, and that is hearsay so as far as I am concerned. But the other matter regarding the Israelis is not hearsay.

The CHAIRMAN. Thank you very much. I have no further questions of this witness at this time. Thank you.

I see Mr. Clark Mollenhoff in this room. Mr. Mollenhoff's name has also appeared in connection with this. Is there anything you would like to add to this record?

#### STATEMENT OF CLARK MOLLENHOFF

Mr. MOLLENHOFF. No. My contact with this was simply passing on information when I was special counsel to the White House to Dr. Kissinger and through General Haig relative to this matter, and I viewed it seriously at the time but made no value judgment. I passed it to them and they exhibited great concern, indicated they were going to do something at some point but I could never get a satisfactory explanation back over a period of time and I just dropped it.

The CHAIRMAN. Well now, I assume that Mr. Hemenway is going to want to have his additional statement printed in the record. Mr. Hemenway says that it is important how you left the executive branch because the reason is their failure to conduct impartial investigations in matters such as this. Does that have anything to do with your leaving it?

Mr. MOLLENHOFF. It would have been an accumulative thing. That, the Fitzgerald case, half a dozen other things, I could go on at length and fill a book with my problems of frustration in getting investigations done that were meritorious.

The CHAIRMAN. Thank you.

(An additional statement of Mr. Hemenway, previously referred to, follows:)

(Second statement by Mr. John D. Hemenway, before the Senate Committee on Finance, to supplement and augment the statement made of record on May 15, 1978.)

#### FURTHER TESTIMONY ON THE CONFIRMATION OF Mr. HELMUT SONNENFELDT

Mr. Chairman and members of the Senate Finance Committee, I wish to introduce into the record my publicly expressed further objections to the confirmation of Mr. Helmut Sonnenfeldt designated to be Under Secretary of the Treasury. You will agree that it is fitting for this written testimony to be given you at the second public session of the confirmation hearing begun on May 15 of this year.

On May 15, Mr. Chairman, you asked that I make myself available for questions pertaining to my testimony of that date. Naturally, when the time for such questions arrives, I shall be ready to respond to questions on this testimony as well.

#### FORCES PRESSING FOR SONNENFELDT'S CONFIRMATION ARE THE SAME FORCES ATTEMPTING TO SEIZE EFFECTIVE OPERATIONAL CONTROL OF THE UNITED STATES GOVERNMENT

Mr. Nelson Rockefeller has been widely cited in the press concerning his ambitions to be named Vice President, in the event the current cabal against Mr. Agnew is successful.

Mr. Rockefeller has the active cooperation of the Attorney General as well as Dr. Henry A. Kissinger (Rockefeller's protege) and a few senators and representatives.

Concerning the matter before you, the Sonnenfeldt nomination, a similar drama is cast with the identical players. Consider the following items:

#### THE ROCKEFELLER/KISSINGER/SONNENFELDT/RICHARDSON ALLIANCE

Last Saturday, 22 September, 1978, at 11:00 am, following the swearing of Dr. Kissinger as Secretary of State, Mr. Rockefeller (Nelson Rockefeller, Gov. of N.Y.) was present to congratulate his protege. Also present was Mr. Helmut

Sonnenfeldt. Mr. Sonnenfeldt put his arm around Mr. Rockefeller and was heard to say:

Can't you do something to help me [get confirmed]? The Senate Finance Committee is holding it up. Can you get the matter transferred to the Senate Foreign Relations Committee?

When asked, Sonnenfeldt told Gov. Rockefeller that his confirmation was held up because of "cheap smears" against him for which the Ichord Committee of the House of Representatives was responsible.

In another conversation, Gov. Rockefeller told a newsmen that he had not come to Washington to see the President; he had come only to see Dr. Kissinger.

The facts in the above item can be verified by the Finance Committee under oath, should Mr. Sonnenfeldt fail to remember the details. I can supply the Committee with the name of the witness.

In fact, it is not "cheap smears" (serious security charges) alone that argue against Mr. Sonnenfeldt's confirmation. On May 16 I was the only witness to oppose the confirmation of Mr. Sonnenfeldt. To my knowledge there have been no subsequent witnesses called, the *New York Times* to the contrary notwithstanding. However, a great deal of evidence has been developed to support fully every charge I made on May 15. There were four, in order:

(1) Mr. Sonnenfeldt's professional judgment is faulty; (See the Soviet grain deal, below)

(2) Mr. Sonnenfeldt's personal standards of integrity are unacceptably low;

(3) Mr. Sonnenfeldt repeatedly has performed acts that violated his oath of office; and,

(4) Mr. Sonnenfeldt's confirmation will place the Finance Committee of the Senate in the position of seeming to condone illegal acts and violations of standards of conduct for Federal service set by the Congress itself.

Sonnenfeldt's basic competence to serve was questioned in my testimony and it was the main point. I stated that Helmut Sonnenfeldt simply is not qualified for the position for which he seeks confirmation. He has neither the academic nor the technical qualifications for such a post.

Sonnenfeldt is responsible, with his boss Dr. Kissinger, for the basic staff decisions that misled the President into the disastrous wheat deal with the Soviet Union that is behind so much of the financial chaos we are witnessing today internally in America and externally, too, as the dollar declines to the point where foreigners are reluctant to accept it in payment for obligations without discount.

Other bad Sonnenfeldt judgements are on record in my testimony of May 15 and is an example of undercutting the US offset position on October 5, 1970 (see below).

The Hon. Elliot L. Richardson, now Attorney General, knew of all of the events Mr. Sonnenfeldt now refers to as "cheap smears" soon after January 20, 1969 when he became Under Secretary of State (the official who runs the place from a management/administrative point of view). Not only did Mr. Richardson do nothing in the Sonnenfeldt matter, it was under his administration that the fraudulent lateral entrance of Sonnenfeldt was facilitated at the highest level, FSO-1 (equivalent to major general).

However negligent of the Sonnenfeldt Case, Elliot Richardson as Attorney General has vigorously pushed for the prosecution of Vice-President Agnew; indeed he seems determined to break all Constitutional precedents in this vigorous pursuit of "justice".

#### SONNENFELDT IS AN OFFICIAL WHO LIES; IT IS AS SIMPLE AS THAT

*Human Events* on August 25, 1978 (page 8—full page) laid out in detail expected testimony of Mr. Stephen A. Koczak concerning events that could only be described thus: Sonnenfeldt willingly was a party to an espionage collection activity of a foreign power. The author of the article was Alan Rykind, a very careful journalist who interviewed Mr. Koczak.

That Sonnenfeldt lied about these intelligence matters is evident from the telegram sent to the Finance Committee by Mr. Otto F. Otepka, former Chief of Security Evaluation at the Department of State. According to Otepka, "Any denial by Sonnenfeldt that he provided data to unauthorized persons is a gross falsehood." Full text of the Otepka telegram is at TAB A.

Moreover, Otepka and two other witnesses (Hemenway and Koczak) have indicated that they are willing to be placed under oath in public session. They are prepared to describe three or more widely-separated matters concerning which Mr. Sonnenfeldt has not told the truth and concerning which Mr. Sonnenfeldt has made misrepresentations to this, the Finance Committee that is considering his suitability for high office.

On October 5, 1970, Sonnenfeldt undercut the official financial policies of the United States in Europe. On that date, he briefed German Chancellor Brandt and his aides in Bonn concerning offset arrangements (ways to counter the outflow of gold because of the stationing of large numbers of US troops in Europe—largely Germany—under NATO). The Chancellor's aides included Mr. Egou Bahr and Berndt von Staden, now German ambassador in the United States.

Sonnenfeldt's briefing misrepresented US policy, but US policy was changed promptly thereafter to correspond to what Sonnenfeldt, top aide to Kissinger at the NSC had told the Germans.

This occurred only a few months after Presidential Counselor Clark Mollenhoff had requested Dr. Kissinger (on two occasions) and Gen. Haig to look into serious matters concerning Mr. Sonnenfeldt. Partly because Dr. Kissinger blocked impartial investigations, Mr. Mollenhoff resigned effective 1 July, 1970. (See "The Mollenhoff/Kissinger Standoff" from the Senate Official Hearing Report on Henry A. Kissinger, Part 1, pages 200-208 or: Congressional Record of September 10, 1978, pages H 8147-H 8151).

Helmut Sonnenfeldt thereby undercut a specific policy agreement decided between President Nixon and Secretary of Defense Melvin Laird. It provided for ways in which our close European allies (especially the Germans) would help us financially to ease the US balance of payments problem.

High officials at the Department of State and the Department of Defense knew of the blunder but they covered up for Sonnenfeldt. In one instance a senior official was ordered to falsify a memorandum of conversation which set out the facts, so that the unfortunate undercutting of US policy by Sonnenfeldt would not be revealed in that record of the conversation. Once again, if the Committee wishes to go into this detail, I can provide the names of all of the witnesses who could testify under oath as to the facts.

Having meddled in constructive ways to assist the US balance of payments, Sonnenfeldt also has engineered unwise financial arrangements to further upset our BOP, such as the grain deal with low credits and other subsidies to the communists who can now make both political capital and financial profit from US purchased grain practically given them for \$1.50—now worth over \$5.00 per bushel. Little wonder that grain now is appearing in India and other areas in which the USSR has political interests. (See Kissinger Confirmation Hearing Record part 1, page 202, "The grain deal with the Soviet Union.")

#### THE ROCKEFELLER CONNECTION

Mr. Nelson Rockefeller gave a toast to Dr. Kissinger on the occasion of Kissinger's 50th birthday. It was at a party held at the Colony Club.

In his toast to Dr. Kissinger, the Governor noted that he had been associated with Kissinger in three Presidential campaigns.

"We succeeded in the third," said Rockefeller. "Henry went to the White House."

The above remark was made concerning the first Nixon administration. Yet at that time, Kissinger said that the man who made him Secretary of State was not fit to be President. In 1968, just after Mr. Nixon had defeated Mr. Rockefeller for the nomination, Rockefeller-supporter Kissinger is reported by Bernard Collier in the Boston Globe to have said, "That man Nixon is not fit to be President."

Also in 1968, candidate Nixon promised a "clean out" at the Department of State. Mr. William Rogers and Mr. Elliot Richardson were in charge of that "clean out" which consisted largely of hunking up Henry Kissinger's NSC apparatus. There was no effort to stop the violation of regulations and the law in the personnel field of which Helmut Sonnenfeldt's commissioning as an FSO-1 in the career diplomatic service is but one of hundreds of dreadful examples.

It is widely known that the State Department has become "Rockefeller's domain" within the administration. Dr. Kissinger was Rockefeller's foreign affairs advisor during the period of Rockefeller's candidacy for the Republican nomination.

One fact capable of substantiation concerning Sonnenfeldt's improper conduct is that he leaked official secrets to his good friend Kissinger (read: Rockefeller).

On August 20, 1973, there was leaked the following statement: "There is every indication that the President himself might telephone Long [that is, Chairman Long of the Finance Committee] urging him to go ahead with the nomination, but White House officials hope such action will not be necessary." (Source: Aldo Beckman in the Chicago Tribune, 20 August, 1973, TAB B)

Sonnenfeldt and Kissinger, both refugees from Hitler's Germany, are old friends, having first met in an army unit as enlisted men after the war, serving under a German emigre, Fritz Kraemer, who serves in a high staff position with the military establishment. Kraemer was also present at Kissinger's swearing in on September 22.

Dr. Kissinger himself is reported to be the source of the leaks he is said to have investigated as Chief of the NSC. (The investigation is said to have "cleared" Sonnenfeldt.) It is an old trick to have someone's phone tapped by an "independent" agency, and then to warn those whose phones are so tapped so that their conversations are "clean" and so reported by the "independent" agency. It is a fact that Sonnenfeldt and Mr. Marvin Kalb (both of whose phones were tapped by order of Dr. Kissinger) are close friends. They see one another often enough on social and semi-social occasions to accomplish any transfer of information without having to use the telephone.

The President's first choice to handle the Watergate situation was Secretary of State Rogers; when Mr. Rogers declined, the President's second choice was Mr. Richardson. It was Messrs. Rogers and Richardson who sabotaged Mr. Nixon's commitment to "clean out" the Department of State.

Mr. Chairman, with the position of the Vice President under fire; with Mr. Rockefeller being considered openly as his replacement; with Mr. Richardson pressing the attack against him, but not against Mr. Sonnenfeldt; it is not straining credulity to discern a certain pattern in these events.

Whether there is such a pattern or not, it should by now be painfully clear that Mr. Sonnenfeldt is not fit for the high office to which he has been nominated nor worthy of the trust.

When called again as a witness, as you indicated on May 15, I shall be pleased to note a number of inaccuracies in Mr. Sonnenfeldt's direct testimony of May 15 (in which he comments on my charges against him.)

**OTEPKA TELEGRAM TO FINANCE COMMITTEE CLAIMS THAT SONNENFELDT GUILTY OF "GROSS FALSEHOODS"**

In a telegram sent to Senate Finance Committee Chairman Long, timed for delivery prior to the hearing session this morning, Mr. Otto F. Otepka accused Mr. Helmut Sonnenfeldt of "leaks of information by Sonnenfeldt to unauthorized persons."

Further hearings on Helmut Sonnenfeldt's confirmation to be Under Secretary of the Treasury were scheduled for Monday, 10:30 a.m., October 1. Mr. Sonnenfeldt was the only scheduled witness.

Otepka also said in his telegram to the Finance Committee that "other evidence known to me proves transmittal of classified intelligence [by Sonnenfeldt] to an agent of a foreign nation." Otepka, former Chief of Security Evaluation at the Department of State said that such offenses violated government security regulations.

"Any denial by Sonnenfeldt that he provided data to unauthorized persons is a gross falsehood," according to Otepka's telegram to Senator Long, Chairman of the Senate Finance Committee.

On May 15, in his testimony before Senator Long, Mr. Helmut Sonnenfeldt had denied the specific allegations referred to in Mr. Otepka's telegram to the Finance Committee. Prior to his testimony on May 15, Mr. Sonnenfeldt had not been sworn in and was not under oath. However, as a high official in the National Security Council under Dr. Henry Kissinger, he is expected to be truthful when questioned by a Senate committee. The Senate Finance Committee is currently examining Sonnenfeldt's suitability and qualifications for this high Treasury Department post.

The text of the Otepka telegram to the Finance Committee follows:

"As requested, have provided vital details regarding Helmut Sonnenfeldt to FBI agent Charles McDougal, Elizabeth City, N.C.

"My statements describing wire tap evidence obtained by State Department security officers established leaks of information by Sonnenfeldt to unauthorized



persons. Other evidence known to me proves transmittal of classified intelligence to an agent of a foreign nation. Such offenses violated government security regulations.

"Any denial by Sonnenfeldt that he provided data to unauthorized persons is a gross falsehood and raises a serious question for his suitability for confirmation to a sub-cabinet post.

"Strongly urge my recent testimony before Ichord Committee be carefully reviewed and that Stephen Koczak, former foreign service officer, appear before your committee as witness prior to any committee action on nomination.

OTTO K. OTEPKA.

[From the Chicago Tribune, Aug. 20, 1973]

## SECURITY ISSUE SHADOWS KISSINGER AIDE'S FUTURE

(By Aldo Beckman)

San Clemente, Cal., Aug. 21.—White House staff members are bickering privately, over the degree of help the administration is giving to Helmut Sonnenfeldt, one of Henry Kissinger's top aides and perhaps President Nixon's closest adviser during the Soviet summit talks. Sonnenfeldt has been accused of being a security risk.

Sonnenfeldt's nomination to be Undersecretary of Treasury has been pigeonholed by the Senate Finance Committee because the House Internal Security Committee [the renamed House Committee on Un-American Activities] has charged that Sonnenfeldt leaked classified information to a reporter and gave top secret information to an Israeli diplomat about the time that the United States was landing troops in Lebanon in July, 1968.

Sonnenfeldt, a career foreign service officer brought by Kissinger to his National Security Council staff as the expert on European affairs, has denied the charges.

Gerald Warren, deputy White House press secretary, said that the White House stands behind the nomination.

White House aides who deal regularly with Congress said they are "concerned but not worried" about the Sonnenfeldt nomination, expressing confidence that Sen. Russell Long [D-La.], chairman of the finance committee, will clear the nomination shortly after Labor Day.

Close friends of Sonnenfeldt's within the NSC express private skepticism about how hard the "political types" in the White House are pushing the nomination. "Hal [Sonnenfeldt] is a Democrat and there was some publicity about his wife working for Humphrey in 1968," one recalled. "I don't suggest that anyone here is opposing the nomination, but I'm not sure they're working that hard to push it thru, either."

One source within the White House said that Long and Sen. Wallace Bennett [R-Utah], ranking Republican on the finance committee, have asked to see the FBI file on Sonnenfeldt, and have tacitly agreed to go ahead with the hearings after studying the file.

Neither of the senators are familiar with FBI files, however, and have insisted that Sen. James Eastland [D-Miss.], chairman of the Senate Judiciary Committee, go thru the file with them, to explain what should be considered important and what might be frivolous.

There is every indication that the President himself might telephone Long, urging him to go ahead with the nomination, but White House officials hope such action will not be necessary.

Rep. John Ashbrook [R., Ohio], ranking Republican on the House Internal Security Committee, is the man who has urged that the nomination be held up.

Ashbrook said his only motive is to make certain that a security risk does not get into such a critical spot as Undersecretary of Treasury, where he would be instrumental in dealing with international monetary and trade problems faced by the United States.

Sonnenfeldt supporters charge that Ashbrook, a conservative congressman who ran in several primaries against Nixon last summer, and who has been a harsh critic of administration efforts toward detente with Russia and mainland China, is determined to drive Sonnenfeldt out of government because of his role in the Russian and Chinese summits.

Ashbrook's chief weapon apparently would be the testimony of Stephen Koczak, a former career foreign service officer.

Koczak, in an interview, said he would testify under oath before the finance committee if invited and tell how he overheard Sonnenfeldt give critical information on military planning to an Israeli diplomat during a reception at the home of an employee of the Israeli Embassy.

The FBI has interviewed him, said Koczak, and told him that the Justice Department had been prepared to proceed with prosecution against Sonnenfeldt, but could not because the State Department would not declassify secret cables needed in the prosecution.

The CHAIRMAN. I would like to call Mr. Sonnenfeldt back, if I may. I would simply like to get this matter resolved if I can. Mr. Sonnenfeldt, you heard the witness. I would like to ask you to stand and raise your right hand.

Do you swear that the testimony you give will be the truth, and whole truth, and nothing but the truth, so help you God?

#### TESTIMONY OF HELMUT SONNENFELDT, NOMINEE TO BE UNDER SECRETARY OF THE TREASURY—Resumed

Mr. SONNENFELDT. I do, sir.

The CHAIRMAN. You heard Mr. Koczak's testimony will you tell us what you know about the meeting which was discussed in which it is stated that you revealed information that was classified to this Government.

Mr. SONNENFELDT. Well, I have a very skimpy recollection of a reception at the home of an Israeli diplomat some 15 or so years ago. I have a much more vivid recollection of an extended interrogation that occurred either in 1960 or 1961, some 2 or 3 years after this alleged occurrence by State Department security officials under oath. So in a way my recollection of the event is really a reflected recollection of the interrogation because the event itself in my mind now is simply a social occasion like a hundred others one attends in this town.

In any event in that interrogation of which I do not have a record available, I was asked about these allegations concerning disclosure of classified information to Israeli diplomats or an Israeli diplomat at a reception. My recollection of the interrogation is that I fully and completely and totally denied having done that. If I had no recollection of it 2 years after the event or 3 years after the event I certainly have none now. I simply flatly denied it. I do recall also being shown a series of State Department telegrams, and asked to identify them. I had never seen those telegrams before in my life and so testified or so answered at the occasion of the interrogation.

As I recall now they do deal with Israeli matters but being concerned with Soviet affairs it was extremely unlikely that I would have seen them but it is conceivable. In any event I had not seen those telegrams and so answered to inquiry by the interrogators.

I was subsequently given a lie detector test in this interrogation. I say this now even though I was obliged to sign a piece of paper stating that I would never disclose that fact but since that has been publicly stated by, I believe, Mr. Otepka, I somehow feel I am freed from that obligation at the time. So I will simply say that I did take a lie detector test.

The remainder of it is simply the story of my service in the Government, and the fact that the security files of Government officials, particularly in positions such as I have occupied, are updated periodi-

cally, perhaps every year, every 2 years, and that my security clearance, my employment in the Government, has continued since that time, and in positions of increasing responsibility. There has been reference to wiretapping. I have had, that occurred in the meantime, at least so I am told or so I read in the press, so I may perhaps be one of the more investigated people in this town by the—

The CHAIRMAN. Well, join the club.

Mr. SONNENFELDT. And I can only, since I have never had any access to my own security file, if you have talked to the FBI as you have indicated, Senator, you are ahead of me, I can only assume that the qualified people, the properly constituted authorities, through these administrations, Republican and Democrat, over these years have gone through this matter, and have made their decision on the basis of their judgment of what is in the file.

I was not aware of what Mr. Mollenhoff just indicated that he had raised this matter with, I believe he said Dr. Kissinger and General Haig. I have no knowledge of how they disposed of it. I did testify here earlier that before I went to the White House in January of 1969 I pointed out to Dr. Kissinger that there had been these allegations some years earlier, and that there had been an investigation on them, that evidently that investigation had turned out to be favorable to me or I would not still then be in the Government, but that I wanted to be sure that my new employers at the White House would make a full examination of the background, so that there would be no possible embarrassment later if this matter were raised again. I have no knowledge of what happened. I can only tell you that I have continued to serve in the White House in responsible positions. I participated in a number of the most sensitive negotiations that we have conducted with foreign governments. I have sat in NSC meetings and so on, and so forth, and I have now been nominated to this position by the President. So that I can only tell you that, while that is circumstantial evidence, that somebody has made a judgment of these matters, has examined them, and there it is. I have given you my full knowledge of it including, to repeat, my denial of any such action as has been described here.

I don't want to characterize or qualify it further. I find it somewhat bizarre to suggest that a mass reception is an occasion where someone would pass the contents of top secret telegrams to a foreign government. But then stranger things have happened.

The CHAIRMAN. Well, I think the record should show you have said as much to me with regard to this matter on other occasions. If it is possible for this committee to obtain it—and I don't know why it shouldn't be—I will seek to obtain whatever information is in the State Department files with regard to the matter.

Mr. SONNENFELDT. I have no knowledge, Mr. Chairman, whether the State Department files are any different from the FBI files, and I simply don't know what security files they have.

The CHAIRMAN. I too am concerned about leaks, and I hope very much that you and the people in the State Department will prove a better security risk than the average U.S. Senator. A while back we had a secret session of the Senate and at the end of it, consent was asked that we immediately release the record. I objected because I

wanted to find out how good a security risk the U.S. Senate is. The next morning Mr. Spencer Rich had a story on page 1 of the Washington Post fully setting out about as accurate an account of what had happened in the Senate as could have been expected from someone if he had been sitting there listening to it. So I deplore leaks, but I have to concede that they do happen. But we will undertake to find, if it can be found, the record of this particular matter but apparently it has been looked into, and it has been decided in your favor.

How many times have you been either appointed to a new position or confirmed in a new position since that time?

Mr. SONNENFELDT. I have only been confirmed, if you are referring to the Senate, as a Foreign Service officer of class one when I transferred laterally into the Foreign Service in 1970, so that would be my only, the occasion that I would have come before the Senate.

But in the period going back to this particular allegation—or to the investigation of it in which I was interrogated which itself was 2 or 3 years later, which always struck me as rather peculiar if the violation was as serious as has been suggested—I have been appointed a division chief in the State Department, a deputy director in the State Department, an office director in the State Department, in each case with more extensive clearances, and have been appointed a staff member of the National Security Council. Now these are all internal executive branch appointments. I was also promoted a number of times first in the civil service in which I still was in the late fifties, and then as a Foreign Service Reserve officer and then laterally transferred into the Foreign Service.

I believe each of these occasions calls for a review of a security file in addition to the normal periodic updating of security files that occur in the normal course of events in the executive branch, so I would say this has been almost a continuous process, Senator, as far as the updating of my security file and the updating of investigatory information and so on.

The CHAIRMAN. You are testifying under oath here, and I want to be sure that I understand your answer to this question: Do I understand that it was 2 years after this event is alleged to have happened before you were confronted with it?

Mr. SONNENFELDT. As I best recall.

The CHAIRMAN. Or approximately 2 years.

Mr. SONNENFELDT. As I best recall the event itself—and I am now recalling this on the basis of my subsequent interrogation rather than of my sure recollection of the event itself—occurred sometime in the summer of 1958. I believe that my first confrontation with these allegations occurred either in 1960 or 1961. I am simply not certain. But it did not—I was never confronted with any such allegation until that time.

The CHAIRMAN. Let me see if I understand your answer. If I understand your answer, this event was alleged to have occurred in 1958. If I understand what you just said, you said that you were interrogated about that matter in 1958.

Mr. SONNENFELDT. No, sir; I wasn't interrogated on that matter or on these allegations concerning press leaks certainly not before 1960. It was either in the fall of 1960 or early 1961, in that period.

The CHAIRMAN. I would like to get that straight in my mind because it would seem to me, if you had been guilty of a serious security breach, you should have been hearing about it sometime soon after it happened.

Mr. SONNENFELDT. Senator—

The CHAIRMAN. I can recall an occasion when one of my colleagues in the Senate made what I thought was a bad mistake and said something he shouldn't have said. That was directed to his attention in short order.

Do I understand that there was a long period of time, exceeding 1 year, between the time this event is alleged to have occurred and the time anybody ever interrogated about it or asked you what you said or didn't say?

Mr. SONNENFELDT. I have been interrogated by the security people concerning myself—they come by quite frequently to ask you about other people—but concerning myself only on this one occasion which was either in late 1960 or early 1961. All other contacts with either security people or the FBI either related to my judgment of other people or once or twice when the White House investigations occurred of the leaks in the Nixon administration I was asked some questions. But, apart from that, I had never had any contact in the form of an interrogation with security officials or the FBI between the time I was investigated to enter the State Department in 1962 and this occasion in late 1960 or early 1961.

The CHAIRMAN. If I had been present and heard someone reveal some information that he shouldn't be revealing, I would feel that that matter should be corrected sometime soon; it shouldn't go on. What would your reaction be if you had someone divulging top secret information of this Government at a particular social event where you might be with people from a foreign government? What would your reaction to that be? What do you think you ought to do? You have been with the State Department.

Mr. SONNENFELDT. If I were morally certain that that was occurring I would make some effort to get it reported and get some action taken to prevent it from recurring. That would be my action.

The CHAIRMAN. I should think at a minimum you would tell the fellow who did it, "You shouldn't do that again."

Mr. SONNENFELDT. Well, in this country, in our business, the distinction between what is classified and what is unclassified is sometimes blurred. But certainly I have found myself in situations where I was—I don't normally take it upon myself to lecture other people regarding their conduct, but I found myself in situations where perhaps a subordinate of mine spoke in a particular manner that I thought was unwise or indiscrete and I would have immediately urged him to not do that again and to be careful. That would be my normal response to that kind of a situation.

The CHAIRMAN. Thank you. I would ask that at the end of this series of questions, the letter from Representative Ashbrook should be made a part of the record as well.

[The letter with attachments follows:]

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
Washington, D.C., September 18, 1973.

HON. RUSSELL B. LONG,  
Chairman, Senate Finance Committee,  
Old Senate Office Building.

DEAR MR. CHAIRMAN: Because of unfavorable press accounts recently concerning my involvement in the Helmut Sonnenfeldt case, I thought the enclosed material might be of interest.

The first item is a copy of the New York Times editorial of August 16 along with my press release issued the same day defending against the Times charge of my conducting a "witch hunt." Needless to say, the Times did not run the release.

The release points out that the House Internal Security Committee, of which I am ranking minority member, has been reviewing the Federal Employee Security Program since 1970 in our oversight hearings with hearings on the State Department beginning in June, 1971. It was in connection with these hearings, and on the basis of the personnel security theme alone, that the HISO minority staff considered the Sonnenfeldt case.

Secondly, the release stresses the Koczak charges including the charge that "top secret information, including military planning" was given by Mr. Sonnenfeldt to a foreign power. This charge, levied by a source who is now Director of Research for the American Federation of Government Employees, an affiliate of the AFL-CIO, should not be taken lightly.

Also enclosed are two letters, one from Secretary of Treasury Shultz and the other a letter from comment on the Shultz letter by Mr. Otto Otepka, the security officer who handled the Sonnenfeldt case while at State. It is interesting to note that in listing the investigations on Mr. Sonnenfeldt, Secretary Shultz omits two investigations, the most important being the Koczak charges in 1958, along with the investigation of 1960-61. The Secretary who transcribed the tapes of the '60-61 wiretapped conversations of Mr. Sonnenfeldt is willing to confirm that she was thus involved.

According to press accounts, Mr. Sonnenfeldt was again the target of wiretapping during the 1969-71 period when Mr. Henry Kissinger was involved in the tapping of seventeen individuals. This issue was the subject this week of negotiations between Chairman Fulbright and the Attorney General over access to the tapes.

It must be emphasized that any inspection of the Sonnenfeldt security files, the possibility of which you explored in your May 15 hearings, should include the State Department files as several of the investigations were made by the State Department alone.

As noted in Mr. Otepka's letter, the Civil Service Commission is required to keep a listing of all personnel investigations in their "Security Investigations Index." Unlike the listing in the Shultz letter, the Commission should have a record of all investigations conducted in the Sonnenfeldt case. Mr. Robert J. Drummond, Jr., Director, Bureau of Personnel Investigations, is currently the custodian of the Index at the Commission.

Several months ago President Nixon made mention of the leaking of national security information to the POW's at the White House reception for them. Later, Vice President Agnew complained of the leaking of privileged information to the press in his own case now before Justice. Several weeks ago Director Kelley of the F.B.I. publicized his efforts in keeping vital information secure at the Bureau.

My interests in the Sonnenfeldt case are similarly motivated. The HISO oversight hearings seek to insure that Federal employees with access to sensitive information are reliable and trustworthy thereby keeping vital information in the proper channels. In this context, needless to say, the Sonnenfeldt case is an important one.

I was informed by my good friend, Clark Mollenhoff, that, when he was a legal adviser to President Nixon several years ago, he approached Mr. Kissinger and General Haig or more than one occasion with the Koczak-Otepka allegations against Mr. Sonnenfeldt. They initially expressed concern and assured Clark that something would be done. To be sure, something was done: Mr. Sonnenfeldt was promoted to FSO-1, a position requiring Senate confirmation--after Clark had left the White House.

In view of the many unanswered questions involved with this case, I very much appreciate the close scrutiny given this issue by the Senate Finance Committee and gladly offer any assistance I may be able to provide.

Sincerely,

JOHN M. ASHBROOK,  
Representative to Congress, 17th District.

[From the New York Times, Thursday, Aug. 16, 1973]

#### THE SONNENFELDT CASE

The dramatic improvement the Nixon Administration has effected in relations with Moscow and Peking remains an achievement undimmed even by Watergate. The public spotlight has justifiably been on the President and Henry Kissinger as chief architects of this new design in American foreign policy, but just off center stage has been another key figure, Helmut Sonnenfeldt, Mr. Kissinger's principal deputy.

Specialists familiar with the pivotal role Mr. Sonnenfeldt played in the arduous negotiations that led to the turnaround in relations were virtually unanimous in applause when Mr. Nixon decided recently to nominate Mr. Sonnenfeldt as Under Secretary of the Treasury, a post in which he could make substantial new contributions to promoting healthy United States economic relations with the rest of the world.

But the Nixon policy of détente still has right-wing critics in Congress, and the overpowering stench of Watergate has unfortunately damaged every high Administration official, no matter how innocent of involvement in the "White House horrors." This combination of circumstances has now permitted a 1973 revival of the Joe McCarthyism of the early 1950's. An Ohio Republican, Representative John M. Ashbrook, is currently assuming McCarthy's unsavory role, with Mr. Sonnenfeldt as his intended victim. The charge: leaking classified information to the press as long ago as 1964 when Mr. Sonnenfeldt was a State Department researcher.

Though Mr. Sonnenfeldt has undergone the most exacting of security clearances during his many years of Government service, and particularly those he has spent as a White House aide, the existing atmosphere is such that the Senate seems disinclined to make an independent judgment while Representative Ashbrook conducts his witch hunt. The target of this tragicomedy is not primarily Mr. Sonnenfeldt at all, but rather the intelligent and enlightened foreign policy he has done so much to formulate and implement. Mr. Nixon is showing both courage and sound judgment in reaffirming his desire to see his appointee confirmed.

#### NEWS RELEASE FROM REPRESENTATIVE JOHN M. ASHBROOK, 17TH CONGRESSIONAL DISTRICT OF OHIO

Congressman John M. Ashbrook (R-Ohio) today released the following statement in connection with the investigation of the security background of Mr. Helmut Sonnenfeldt, nominated by President Nixon as Under Secretary of the Treasury:

I am appalled that the New York Times considers the propaganda climate of Watergate so favorable to irresponsible reporting that it has launched a scurrilous attack on me in connection with the House Internal Security Committee's investigation into the Federal Civilian Employees Loyalty-Security Program.

In its August 16 editorial on "The Sonnenfeldt Case," the Times alleges that I have taken advantage of the "Watergate White House horrors" to produce a "1973 revival of the Joe McCarthyism of the early 1950s." The editorial distorted the facts which I have supplied previously to David Binder, a New York Times reporter. I find especially offensive the editorial comment that a Republican, Representative John M. Ashbrook, is currently assuming McCarthy's unsavory role, with Mr. Sonnenfeldt as his intended victim. The charge: leading classified information to the press as long ago as 1964 when Mr. Sonnenfeldt was a State Department researcher."

This editorial is a typical New York Times orchestration of "facts" distorted so as to smear Congressional investigations of personalities whom the New York Times wishes to protect. Mr. Sonnenfeldt's case became a matter of special concern to me during the Internal Security Committee hearings in 1971, long before his name was submitted by President Nixon to the Senate for confirmation as Under Secretary of the Treasury. Our Committee normally would have finished this investigation months before his nomination. The only reason our investigation was delayed was that the Justice Department was dilatory by more than a year in confirming a critical fact concerning a prime witness in this case. Finally, after further inquiry by me, Mr. Ruckelshaus confirmed that the FBI had communicated with a State Department diplomat, Stephen A. Koczak, who was prepared to give testimony under oath that Mr. Sonnenfeldt delivered top secret information, including military planning to a foreign power.

Mr. Koczak is now Director of Research of the American Federation of Government Employees, AFL-CIO, the largest union of Federal Employees in the United States. Previously, he was a Foreign Service Officer for nearly 20 years with the State Department and served in Budapest, Hungary, Tel Aviv, Israel, and Berlin, Germany.

As Director of Research of AFGE, he has been one of the prime movers seeking to reform the Foreign Service personnel system to assure that Foreign Service Officers are not dismissed or penalized because of irresponsible allegations, including security and suitability issues, made against them either within the Government or by private persons. His testimony before Senator Fulbright on behalf of the AFGE is considered the most comprehensive statement made to date on this subject.

Largely because of the facts which I discovered in reviewing State Department personnel practices denying due process to its employees, both conservatives and liberals alike, I introduced a bill as far back as 1968 providing statutory safeguards to Foreign Service personnel assuring that they could defend themselves against allegations and charges by invoking all the guarantees of due process including confrontation and cross-examination of their adversaries.

Under these circumstances it is clear that the New York Times editorial is mendacious and irresponsible and has ulterior purposes. One of these is to coerce President Nixon to put pressure on the U.S. Senate to rush through the confirmation of Mr. Sonnenfeldt before all the facts, delivered under oath, are written into the record by the House Internal Security Committee.

Mr. Sonnenfeldt, who is now a Foreign Service Officer on assignment to the National Security Council, obviously would have been one of the main beneficiaries of the legislation which I introduced but which the State Department opposed. I assure the New York Times that our hearings on Mr. Sonnenfeldt will be conducted in the spirit that motivated the introduction of my bill.

In light of these facts, it is ironic that the New York Times has selected me as its special target in its efforts to advance Mr. Sonnenfeldt's nomination by accusing me of "witchhunting."

When the New York Times published the Pentagon Papers, it claimed it was in the interest of the public's right to know.

When the New York Times demands the release of the President's privileged tapes, it claims that it is in the interest of the public's right to know.

However, when I ask for pertinent information relevant to the Congress' right to know, the New York Times calls it "witchhunting."

(Brought in person by Bill Gifford)

THE SECRETARY OF THE TREASURY,  
Washington, August 7, 1973.

HON. JOHN M. ASHBROOK,  
U.S. House of Representatives,  
Washington, D.C.

DEAR MR. ASHBROOK: This responds to your letter of July 30 in regard to the clearance procedures in connection with the nomination of Mr. Helmut Sonnenfeldt to be Under Secretary of the Treasury.

Pursuant to normal procedures in all cases involving President appointments requiring Senate confirmation, security and conflict of interest reviews of the candidate are initiated and conducted by the White House. In accordance with



these procedures, on March 13, 1973, the Federal Bureau of Investigation was requested to perform the necessary investigations of Mr. Sonnenfeldt. It should be noted that in Mr. Sonnenfeldt's case a complete fullfield investigation was not required since such an investigation had been completed in February 1972 in accordance with White House policy to up-date such investigations every three years. The FBI filed its report with the White House Security Office on April 2, 1973. That report, and reports of investigations conducted in 1972, 1969, 1957, 1955, and 1954, were reviewed by Miss Jane Dannenhauer, the staff assistant in charge of the White House Security Office. They were also reviewed by and discussed with Fred F. Fielding, Deputy Counsel to the President. On April 4, 1973, the White House Personnel Office was advised that the Security Office had no objection to Mr. Sonnenfeldt's nomination from a security standpoint.

It should also be noted that all information developed in regard to Mr. Sonnenfeldt in 1973, 1972, 1969, 1957, 1955, and 1954 was, in each instance, resolved in Mr. Sonnenfeldt's favor.

In answer to your other questions, there was no current personnel security investigation made by the Department of the Treasury and the Department did not review any other investigation.

I respectfully suggest that it might be helpful to the Committee to discuss this situation with Mr. Fred Fielding who has the responsibility of obtaining clearance for Presidential nominees.

Sincerely yours,

GEORGE P. SHULTZ.

WHEATON, Md.,  
August 28, 1973.

*House of Representatives  
Washington, D.C.*

DEAR CONGRESSMAN ASHBROOK: I am replying to your request for my comments on the letter dated August 7, sent to you by Treasury Secretary George Shultz in which he provides certain data concerning the investigations and evaluations made with respect to Helmut Sonnenfeldt.

Concurrently, Stephen Weld, of Milton, Mass., sent me a copy of a letter he received from Assistant Attorney General Henry Petersen containing less detailed information about investigations of Mr. Sonnenfeldt. I shall comment on both letters.

Secretary Schultz says that Mr. Sonnenfeldt was afforded a partial investigation by the FBI in 1973, and its report, together with reports of investigations made in 1972, 1969, 1957, 1955, and 1954, were reviewed by Miss Jane Dannenhauer, a staff assistant in the White House Security Office, and Fred Fielding, Deputy Counsel to the President.

It is not clearly specified whether the reports preceding 1973 were all made by the FBI. However, I can say from my recollection, based on my former access to security reports on Mr. Sonnenfeldt, I am sure that some were prepared by the State Department.

I do not know whether Miss Dannenhauer or Mr. Fielding are trained security specialists although I am inclined to believe they are not. What concerns me is that neither may have reviewed reports made by the State Department Security Office in 1960 and 1961 since these reports are not mentioned in Secretary Shultz's letter. Such reports included the results of electronic surveillance made of Mr. Sonnenfeldt which established that he had contacts with and provided classified data, without authority, to persons outside the Government. In these activities Mr. Sonnenfeldt was meeting with persons who were trying to discredit Richard Nixon.

I suspect that the Kennedy Administration, in order to protect Mr. Sonnenfeldt and conceal his actions, destroyed all evidence of this electronic surveillance. This may explain why the 1960 and 1961 reports are omitted from Mr. Shultz's letter.

It concerns me most seriously that Mr. Shultz also did not mention that there was an investigation of Mr. Sonnenfeldt in 1958, the year in which he provided classified information, without authority, to an agent of the Israeli Intelligence Service in Washington. As you know, the FBI has acknowledged that it received a complaint about this incident.

Regarding Mr. Petersen's letter to Mr. Weld, it does not specify the dates or the actual number of investigations made of Mr. Sonnenfeldt. It is stated only that

a "number of investigations" were made by the FBI and "in all of those cases, the results were determined to be favorable."

With all due respect for Mr. Petersen, I must say that the wording and omissions in his letter tend to mislead its reader that Mr. Sonnenfeldt received an "FBI clearance." The FBI, of course, makes no evaluations but merely provides the results of its investigations for the necessary determination by the employing agency. Mr. Petersen should have made it clear as to who evaluated the "number" of FBI investigations.

In advising Mr. Weld about one allegation, Mr. Petersen says that the FBI files do not show that Mr. Sonnenfeldt turned over classified intelligence information to a foreign diplomat. That statement is absolutely untrue. I need not elaborate further because you have announced that you have a reliable witness who can testify under oath that Mr. Sonnenfeldt committed the act in question.

I hope you will take the appropriate steps to resolve the discrepancies I have pointed out. As an initial step, I suggest that you contact the Civil Service Commission to ascertain the dates of all investigations made with respect to Mr. Sonnenfeldt and the name of the agency which conducted each investigation.

Under provisions of the Federal Personnel Manual, every agency is required to submit for the Commission's "Security Investigations Index," a card record (Form 79) showing the initiation of any type of investigation for employment purposes, regarding a Federal employee or applicant.

The purpose of the index card is to enable the responsible personnel security officer in the employing agency to obtain the results of each investigation, prevent multiple investigations, review the results under applicable criteria, and make a finding whether the individual investigated may be granted a security clearance depending on the nature of the information developed in relation to the position to be occupied or actually occupied.

Finally, I want to note that Mr. Shultz told you that the Treasury Department required no current investigation of Mr. Sonnenfeldt and the Department did not review any other investigation. I take this to mean that the responsible security officer in the Department did not submit his views on the substantive data developed because he was, in effect, bypassed.

Sincerely,

OTTO F. OTEPKA.

Senator NELSON. I just have two brief questions. Did Mr. Koczak at the occasion when he was overhearing a conversation make any comment at that time to you?

Mr. SONNENFELDT. Senator, the occasion itself is so dim in my memory, I frankly don't even remember the presence of Mr. Koczak at that party but if he said he was there than I am sure he was. But I don't recall having any particular conversation with him at all.

Senator NELSON. Well now, that was 15 years ago. However, your interrogation about that was only 2 years away. When you were interrogated in 1960 or 1961 did you have a recollection of the particular reception?

Mr. SONNENFELDT. Well, my recollection of that interrogation is that I remembered the reception, yes; but as I said before, it is now a derivative recollection because the event itself, I don't even remember the house and I don't even at the moment, offhand, remember the name of the host or what he looked like but I do recall in the interrogation that the memory was somewhat more vivid because as I recall the date of the thing coincided with the date of something else that happened to stick in my mind but I can't now tell you what that was but that was a reference point so I had a reasonably, I think, vivid recollection of the occasion at that time when I was interrogated.

Senator NELSON. You stated that you had taken a lie detector test. Was that on the occasion of your interview in 1960 and 1961 with security officials?

Mr. SONNENFELDT. I think it was the culmination of that interview, yes; the end of it.

Senator NELSON. And you were queried on the precise question raised here, is that correct?

Mr. SONNENFELDT. My best recollection is that I was queried on this particular incident and on questions of contacts with the press. Those were the two principal things that I was being interrogated about and I think that is what I was asked about in the lie detector test, yes, sir.

Senator NELSON. In the course of that test, was there any indication that you, from the test itself that you were not responding truthfully to any of these questions?

Mr. SONNENFELDT. I never was given the results of the test. All I know is that I went on in my career in the Department of State, so presumably the results of that test were looked at by qualified people and taken into account when the final evaluation of the whole investigation was made.

Senator BYRD. Would the Senator yield for a question?

Senator NELSON. I have no more questions.

Senator BYRD. I just have one question. I wonder why you were sworn to secrecy in regard to the lie detector test.

Mr. SONNENFELDT. I have no idea, sir. Maybe it was the practice of investigators at the State Department at the time not to disclose their methods and I wouldn't have mentioned it on this public occasion if there hadn't been reference made to it in public statements by I believe Mr. Otepka.

Senator NELSON. And printed in the press.

Mr. SONNENFELDT. I think it was either that, I believe it was in the Congressional Record.

The CHAIRMAN. I would like to make one further statement since I see an enclosure accompanying Mr. Hemenway's further statement, a press clipping which seems to indicate that the President of the United States either has or will contact me about this nomination. The President has not discussed this subject with me. I have heard from some of the liaison people in the White House who rather regularly contact us with problems we have with the White House and the problems they have with us. No one has suggested to me we should do our duty other than as we see it, and I am sure that will be the attitude of the President of the United States about the matter.

I am aware of the fact that Mr. Kissinger is interested in this confirmation. I was not aware until I saw Mr. Hemenway's statement today that it seems Mr. Rockefeller feels the man should be confirmed. I think that it also might be appropriate to say Senator Mathias also thinks the witness ought to be confirmed. I was made aware of that fact last week and I chided him about the fact that had it been one of my constituency I would be in touch with the committee a lot sooner than he was, to point out that I had a high regard for the nominee and would hope that the committee would confirm him promptly.

Mr. SONNENFELDT. I might comment on that, Senator. I have quite deliberately, somewhat to the consternation of some of my friends, not encouraged people to lobby in my behalf because I wanted this committee to make its decision in its own way without any kind of encouragement from people not directly concerned with the matter.

The CHAIRMAN. I have no further questions. But I will seek to find out what, if anything, the State Department has in its files about this.

Senator BYRD. Mr. Chairman, I do not want to delay the consideration of this nomination. I have questions that will probably take an hour, an hour and a half, probably an hour and a half.

The CHAIRMAN. I don't want to further impede your getting the information you want, Senator Byrd. I am going to leave this thing completely in your hands for the rest of the session.

Senator BYRD. Well, thank you, Mr. Chairman.

It is 12:55. The Senate has on the floor a new foreign aid bill. I have some interest in trying to protect the taxpayers a little bit in that regard, so I would like to be on the floor. May I ask Mr. Sonnenfeldt what would be your situation tomorrow morning?

Mr. SONNENFELDT. I am at your disposal, Senator.

Senator BYRD. Would it be satisfactory to you if the committee were to meet, Senator Long, would it be satisfactory if the committee were to meet at say 9:30 tomorrow morning?

Mr. SONNENFELDT. That would be fine, sir.

Senator BYRD. Thank you. Thank you, sir.

The committee will meet tomorrow in room 4200.

The CHAIRMAN. We have a further statement of Mr. Hemenway.

Mr. HEMENWAY. Yes, Senator, can you tell me if it is your intention to put my statement of this morning into the record?

The CHAIRMAN. Yes; I will ask that it be added to the record\*

Mr. HEMENWAY. Thank you.

[Whereupon at 12:55 p.m. the committee was adjourned until Tuesday, October 2, 1973, at 9:30 a.m.]

\*See p. 98.

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## NOMINATIONS OF HELMUT SONNENFELDT, DONALD C. ALEXANDER, AND EDWARD C. SCHMULTS

TUESDAY, OCTOBER 2, 1973

U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D.C.*

The committee met, pursuant to recess, at 9:30 a.m., in room 4200, Dirksen Senate Office Building, Senator Harry F. Byrd, Jr., presiding. Present: Senators Long (chairman), Byrd, Jr., of Virginia, Nelson, and Bennett.

Senator BYRD. Mr. Sonnenfeldt, would you like to take a seat?

The committee will come to order.

First, I would like to ask you in regard to news reports, as to the accuracy of them, some of the news reports say that your name either will be withdrawn as Under Secretary of the Treasury or once confirmed you will immediately thereafter relinquish that position and go to the State Department.

Would you comment on that?

### TESTIMONY OF HELMUT SONNENFELDT OF MARYLAND, NOMINEE TO BE UNDER SECRETARY OF THE TREASURY—Resumed

Mr. SONNENFELDT. I have seen the same reports, Senator. My intention certainly is to serve in the Treasury in the position for which I have been nominated. I am a career official so I am necessarily at the disposal of the President if he wishes to give another assignment. But I have no plans myself and am not aware of any plans other than the kind of speculation that you are talking about to change that. But I am at the disposal of the President.

Senator BYRD. Has not the matter been discussed with you?

Mr. SONNENFELDT. At one time or another possibilities along those lines have been discussed but there has been no firm discussion, and the last discussion that I have had has been that I will go through with this nomination. I am in an awkward position in this respect because other people would have to make that decision in the first instance and I simply cannot read their minds or speak for them.

Senator BYRD. I understand that. But the committee is being asked to confirm you for a particular position, and there have been discussions with you, have there not, that this may be a highly temporary matter and that you will soon be shifted to another position?

Mr. SONNENFELDT. Well, I would have to say only in a very contingent and general way, and everything that I am aware of is that I

should go through with this proceeding and with the nomination and then proceed to serve in the Treasury.

I really am not in a position to go beyond that because it is not something that I would be privy to at all.

There have been discussions concerning the whole question of the staffing of the Department of State, if that is what you are referring to and in which I have been very generally and very sporadically involved simply as a member of the White House or the NSC staff. But I have had no firm proposition made to me along these lines and I really would have to await the President's pleasure on that matter, and act in good faith as regards my Treasury appointment.

Senator BYRD. I take it there has been discussion with you in regard to that matter?

Mr. SONNENFELDT. There has been discussion but only as a very contingent possibility and my intent is to go through with this nomination.

Senator BYRD. I was speaking beyond the nomination.

Mr. SONNENFELDT. Well, I wish I could be more responsive because you—

Senator BYRD. I think you have been, I think it is clear there have been discussions.

Mr. SONNENFELDT. There certainly have been discussions, but it has been of a general and vague character and ultimate decisions will depend on others, and I do take the position that, as was true in the case of this particular job, which I did not seek, that as a career official in the Government I will go essentially where the President asks me to go.

Senator BYRD. I am aware of that.

I think all Presidential appointees have to do that, it is customary. But I wish to—going through this problem of confirmation for an office that, the best I can judge, and while it is only a guess, my guess has been boosted a little bit by your comments this morning. It is only a guess, but as soon as you are confirmed for this office you will be put in another office and I am just wondering what the logic of that is.

Mr. SONNENFELDT. Well, I wish I could say something more firm but it is really out of my hands. I can assure you what my intention is.

Senator BYRD. All right, let's get back to where we left off yesterday. You had just given me what you conceive to be the advantages to the United States of the October agreement, and in so doing you mentioned that of course there are advantages to Russia also.

Now I wonder—you have outlined the benefits to the United States, now what were the benefits to Russia?

Mr. SONNENFELDT. Well, I think the principal benefits to the Soviet Union were the basic agreement reflected by these agreements of the United States to encourage trade, something that we have not been doing for over 20 years as a government.

I think that, from the Soviet standpoint, is the principal psychological and political purpose of engaging in that negotiation to permit us as a government to encourage trade between the United States and the Soviet Union.

The other advantage from the Soviet standpoint is the assurance contained in that agreement that the President will seek authority to grant most-favored-nations treatment. But I would say that the rest

of it beyond this general assurance embodied in that agreement that the U.S. position was one of taking a positive view toward trade, that the rest of the agreement, the specifics in the agreement are essentially all to the advantage of the United States in that they establish modalities for the conduct of trade that will benefit American firms doing business.

Senator BYRD. Well now, in implementing this agreement, what assurance is there that the U.S. interests will be better protected than in the 1972 grain sale?

Mr. SONNENFELDT. Well, this agreement is not an agreement concerning trade in a specific set of commodities, but it is rather an agreement setting a framework and establishing modalities through, for example, as I was saying yesterday, in the establishment of business facilities and arbitration procedures and commercial office in Moscow and these various provisions.

The assurance rests in the Soviet interest in conducting trade with us, and to the extent that they do not implement these terms, it will impede the trade that they are interested in but this particular agreement is a framework agreement, and it is an agreement that deals with modalities rather than a specific agreement on a particular type of trade.

I must say I am reasonably hopeful, although we will have to live and learn from it over the next 3 years, 2 years now, I am reasonably hopeful that the Russians will in fact deliver on these particular commitments because they are interested in the trade.

Senator BYRD. Deliver on what particular commitments?

Mr. SONNENFELDT. The ones that I have referred to regarding business facilities, regarding the use of third party arbitration in the event of disagreements, the establishment of a commercial office which has already occurred, the establishment of a trade center in Moscow which is in process of happening, all of these are facilities to enable American firms to do business, and it appears, even though this agreement is not in force yet because MFN has not been granted, that the Soviets are in fact implementing seriatim interim provisions of it with respect to the matters that I have mentioned.

Senator BYRD. Former Secretary Rogers has stated that the agreement protects the United States against Russian exports that could disrupt domestic markets.

Now how can this be accomplished?

Mr. SONNENFELDT. Well, the agreement itself contains in the provision for—first of all, a Soviet commitment not to do that. So we have a standard that we can apply, and we have a commitment to which we can hold the Soviets.

Senator BYRD. How good do you regard a Soviet commitment?

Mr. SONNENFELDT. I think in this particular area I would regard it as pretty good.

There are other areas of commitment where one can argue about it but what is involved here—

Senator BYRD. You are a Soviet student.

Mr. SONNENFELDT. Right.

Senator BYRD. With wide knowledge of the Soviet, wide knowledge of the Soviet Union.



Could you give us, for the record now, a few agreements of a major nature that the Soviets have made and have adhered to?

Mr. SONNENFELDT. Well, I think that they have adhered to the Non-Proliferation Treaty. I think they have adhered to the Antarctic Treaty.

Senator BYRD. Do you regard that as a major matter?

Mr. SONNENFELDT. Well, in its day it was because we did not have very many agreements with the Soviets, so it was one of the agreements made in the Eisenhower administration that broke the ice, no pun intended, that established the possibility that one can make agreements that are in the mutual interest.

I think the real test on this, Senator, in my view, is not whether one should have any faith and trust in Soviet willingness to adhere to the commitments but whether one should have any faith in Soviet willingness to protect their own interests.

Senator BYRD. Do you have any trust in the Soviet willingness to adhere to their commitments?

Mr. SONNENFELDT. I have confidence that if the Soviets regard it as in their interests to do so they will do so.

Senator BYRD. That is a great qualification. Obviously they are going to do that.

Mr. SONNENFELDT. It is a great qualification and it is a challenge to our policies.

Senator BYRD. Obviously they are going to do it if it is to their own convenience to do it.

Mr. SONNENFELDT. We have to make sure in all of these agreements that the price of not adhering is so great that they will adhere.

And in the case that you are asking me about specifically a breach in the commitment concerning market disruption will lead to the curtailment of the trade that the Soviets want.

The President has—

Senator BYRD. How do you view the track record of the Soviet Union in adhering to commitments that have been made with the West?

Has it been good?

Mr. SONNENFELDT. I think where the agreements have been specific and clear the track record has been quite good.

Where the agreements have been ambiguous and general the Soviets have used opportunities for interpretation and we have had difficulties. So that the lesson is to make them specific and clear, and to constantly keep before the Soviet eyes the cost of breaking them. That goes for the SALT agreements, and I think so far at least we have had a year's experience—

Senator BYRD. I want to get to the SALT agreements a little later. But all the concessions, the best I can determine at SALT, all the concessions were on the part of the United States. The grain deal, all of the concessions were on the part of the United States. This particular October agreement, I want to touch on that in a little more detail, but it seems to me when it is analyzed all of the concessions or most of the concessions are on the part of the United States. It is easy to get an agreement if we make concessions.

Mr. SONNENFELDT. I would have to disagree with your characterization of that with respect to all of them.

In regard to the grain deal, I would simply repeat my statement of yesterday that the U.S. negotiators—this is my judgment of it, as I was saying yesterday—the American negotiators did not in any sense see themselves as making concessions, because they saw themselves as having an opportunity to sell American surpluses. But I do not accept the characterization of the SALT Agreement as involving only American concessions and no Soviet concessions, and I don't accept that in the case of this particular trade agreement.

I would not myself accept that characterization.

Senator BYRD. That is all right. All I wanted is your view, that is good. I just want to get your view.

I disagree with it.

There is a difference, a difference of viewpoint, which is perfectly all right. I just don't think that we came out of these agreements very well, and you think we did come out of them very well. So it is a difference.

Mr. SONNENFELDT. I did not say that, Senator.

Senator BYRD. Well, please say what you did say.

Mr. SONNENFELDT. I think in regard to the grain deal, in the light of hindsight, we did not come out very well. If we had, if our people had, had the information that we subsequently had, I think it should have been, and I am confident that it would have been, negotiated differently.

In regard to the trade agreement, in a way it is too early to say because it is run only for 1 year and then only a part of it. But what I can see of it so far, I think the United States is doing all right. In fact, the Soviets are the ones who have not gotten MFN, so I would think in Moscow they are asking themselves whether they came out all right.

As regards to the SALT Agreement, I think that that was an agreement reached by mutual concession. I think—

Senator BYRD. By mutual concession? It is certainly a concession on the part of the United States.

Mr. SONNENFELDT. By mutual concession.

Senator BYRD. What was the concession that the Soviets made?

Mr. SONNENFELDT. Well, I think there are concessions in two areas. The Soviets agreed to limit their ABM system to Moscow and one site where they had the option of putting it all over their country. We agreed to limit our ABM site to, our ABM systems to, Grand Forks and to Washington where we had the option of putting it all over the country.

Senator BYRD. It is not correct that the Soviets have two ABM sites, have the option of two ABM sites?

Mr. SONNENFELDT. No, I said one ICBM site and Moscow; each side has two sites.

Senator BYRD. That is right.

Mr. SONNENFELDT. And it is clear that the Soviets had the option of putting the ABM all over the place in the Soviet Union.

Senator BYRD. It is clear we had the option to put it all over the place also.

Mr. SONNENFELDT. So the concessions are mutual.

Senator BYRD. You feel that is—that there were mutual concessions in that regard?

Mr. SONNENFELDT. I think each side accepted limitations upon its freedom of action.

Senator BYRD. Did you—are there ICBM's around Washington that can be protected by ABM?

Mr. SONNENFELDT. No, there are no ICBM's around Washington that can be protected by ABM.

Senator BYRD. Then Russia has two ICBM sites that she can protect, and we have one, is that correct?

Mr. SONNENFELDT. Well, the number of interceptors that the Soviet Union is permitted to install around Moscow, which is 100, will have very little capability to protect any of the ICBM's in the vicinity of Moscow, Senator.

Senator BYRD. Under the agreement, let's see if I understand it correctly, under the agreement the Soviet Union has the option of protecting her ICBM's around Moscow, which she has around Moscow, and she also has the option of protecting another ICBM site. Is that correct?

Mr. SONNENFELDT. I would not describe the first part of the agreement in the terms you did. The ABM protection around Moscow is essentially for the city and the urban complex of Moscow. Such protection—

Senator BYRD. Is it not correct, let's get the facts on this—

Mr. SONNENFELDT. Right.

Senator BYRD. Is it not correct that there are ICBM's situated around Moscow?

Mr. SONNENFELDT. Not around Moscow, sir. The ICBM's that you are referring to are within the range of ABM's that ring the city of Moscow.

Senator BYRD. Well, that is the same thing. You phrase it better than I did, but it is the same thought.

Mr. SONNENFELDT. No, it is not entirely the same thought, because the primary purpose of that ABM ring clearly is to defend the city and the complex, the urban complex of Moscow. But apart from what the capability of that ABM ring is, there are only 100 of them, and, consequently—

Senator BYRD. We do not have any around Washington?

Mr. SONNENFELDT. That is right.

Senator BYRD. And I personally see no need to build an ABM system around Washington. So the treaty gave us nothing in that regard.

Mr. SONNENFELDT. My view on that would differ, but—

Senator BYRD. You favor an ABM system around Washington.

Mr. SONNENFELDT. I think on the whole I would think that there is at least a marginal advantage to the protection of our National Command Authority here in Washington, yes. But in any event, I would say on balance the ABM agreement, as far as we can tell at the moment, is an agreement that is in the mutual interest, and there are advantages that accrue to the Soviets in stopping our Safeguard system and possibly other deployments that we might have contemplated, and there are distinct advantages to us in stopping Soviet deployments beyond those two sites.

Now at the moment they only have one, they have not proceeded to build a second site themselves. So I think on the whole that is an agreement that is equally balanced.

The offensive agreement is, if I may proceed to that, a somewhat more complicated problem because on the face of it, that agreement involves larger numbers of delivery vehicles for the Soviet Union than for the United States, but as has been pointed out in administration testimony and I think most recently by Dr. Kissinger in his confirmation hearings, the situation that we faced in 1972 was that we had two ongoing Soviet programs in the ICBM area and in the SLBM area, and the United States had none, and what we achieved in the interim agreement was over the 5-year period in which we had no programs of our own, and I am pleased that we now have the Trident program, or I hope we will have it, but in the 5-year period that we had no program of our own, we were able to get the Soviets to agree to put a ceiling on their own ongoing programs.

So for that 5-year period, I think that was an agreement that was desirable.

Senator BYRD. And the ceiling for that program allows the Soviets to have 60 percent more ICBM's than can the United States, 1,054 versus 1,618, and 50 more submarines than can the United States.

Mr. SONNENFELDT. No, Senator. The Soviets cannot have 1,618 ICBM's if they also have 950 SLBM's. They have to trade in 208 of their ICBM's in order to get to 950 under the agreement. So you have to—

Senator BYRD. Then we make it 40 percent more.

Mr. SONNENFELDT. Right. So what we have done in that agreement—

Senator BYRD. In other words, it is substantially more, whether it is 40 percent or 50 or 60 percent; it is substantially more.

Mr. SONNENFELDT. Yes. And in the judgment of the administration, it would have been even more had there been no agreement. The Soviets, instead of having 62 submarines at the end of the interim agreement, might have had as many as 80 or 90, and we put the lid on that.

Senator BYRD. It is a very nebulous thought.

Senator BENNETT. May I make a comment, Mr. Chairman?

Senator BYRD. Please.

Senator BENNETT. Realizing how hard it is to get Congress to approve submarines, you realize there are other factors than simply the numbers. There is the question of our ability to build our submarine strength anywhere near that of the Soviets. I am glad you and I both voted the same way on the new submarine.

Senator BYRD. Thank you, Senator Bennett.

Senator Nelson?

Senator NELSON. No questions.

Senator BENNETT. I just want to occasionally interject my thought as we go along.

Senator BYRD. Go ahead, I wish you would.

Mr. Sonnenfeldt, would you give us for the record just how you view the economic situation in Russia today?

Mr. SONNENFELDT. I think that looked at historically, the Soviet Union has made a major—has made a major accomplishment in bring-

ing itself from a backward economy to one of essentially second rank in the world. It is an economy that——

Senator BENNETT. May I interrupt you?

Mr. SONNENFELDT. Yes.

Senator BENNETT. When you say second rank——

Mr. SONNENFELDT. Second to us.

Senator BENNETT. You don't mean second place?

Mr. SONNENFELDT. It is essentially in second place to us. It depends upon what indexes you use. That is not true in the case of per capita GNP, but it is true in the aggregate.

Senator BENNETT. That is right.

Mr. SONNENFELDT. And it is also true that the Soviets are able to devote particular resources to the sinews of power to the point where they are challenging us very seriously in the military realm.

Senator NELSON. May I interrupt one moment, Mr. Chairman?

We have a markup session in the Labor Committee on the Legal Services Corporation. I am chairman of the subcommittee, and I have to be present there, so I will ask to be excused.

Senator BYRD. Thank you, Senator Nelson.

Senator BENNETT. Where is the Soviet in terms of per capita GNP or per capita private income?

Mr. SONNENFELDT. What is it?

Senator BENNETT. Where is it in rank? Do you know?

Mr. SONNENFELDT. I don't know offhand, but I would say it is below the industrialized nations of the West. I would have to check it, but it is less than Japan, less than West Germany, less, of course, than the United States.

Senator BENNETT. Yes.

Mr. SONNENFELDT. But as an aggregate, it is a powerful economy that is capable to devote substantial resources to many things that the Government decides to devote them to, but it has some serious shortcomings.

On the civilian side, it is well behind most industrialized countries. In the case of technology, it is deficient compared to ourselves, the West Europeans, and the Japanese. In agriculture, it is an inefficient system in part because of the ideological bias that leads it to maintain collectivization, but also because resources are squandered and inadequate resources are devoted to machinery and fertilizers and things of that sort. These are perennial problems of Soviet agriculture.

The CHAIRMAN. May I interrupt at this point——

Senator BYRD. Certainly.

The CHAIRMAN. I am going to have to leave here in the next 20 minutes. I personally think it is very important, since the security problem has been raised and the suggestion has been made that this witness is not a good security risk, that we ought to clear that matter up quite apart from whether he is the best qualified man for this job in other respects. I see that Mr. Otepka is here today. I believe I know how this matter can be cleared up one way or the other, and I think that we should call Mr. Otepka in connection with that.

I think with the cooperation of Mr. Sonnenfeldt and with the testimony that Mr. Otepka gives, we can find out one way or the other what we need to know to lay this matter to rest. So I would like, if it is all

right with you, Senator Byrd, to call Mr. Otepka at this time and see just what he knows about this security problem that was raised yesterday.

Senator BYRD. Certainly.

The CHAIRMAN. Fine. If you would excuse yourself, Mr. Sonnenfeldt, I would like to speak to you personally before this day is out. I would like to ask for your judgment on a matter.

Mr. SONNENFELDT. All right, sir.

The CHAIRMAN. Now I would like to call on Mr. Otepka.

Mr. Otepka, I believe that you worked in the security area in the State Department for a number of years?

#### STATEMENT AND TESTIMONY OF OTTO F. OTEPKA

Mr. OTEPKA. Yes, I did approximately 16 years.

The CHAIRMAN. You had occasion to consider a matter dealing with an alleged security leak, concerning Mr. Helmut Sonnenfeldt who is testifying here. Would you prefer to testify about this in executive session, or is it all right with you to testify in open session?

Mr. OTEPKA. I have no inhibitions whatsoever. I am perfectly willing to testify in open session.

The CHAIRMAN. Would you object to testifying under oath?

Mr. OTEPKA. No objection, sir.

The CHAIRMAN. Would you stand up, please?

Do you swear that the testimony you give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. OTEPKA. I do.

The CHAIRMAN. Would you state your full name and address for the record?

Mr. OTEPKA. My full name is Otto F. Otepka. I live at 1832 Arcola Avenue, Wheaton, Md. 20902.

The CHAIRMAN. Now, would you please tell us in your own way what the problem was that came to your attention with regard to Mr. Sonnenfeldt's security reliability, and what you recommended doing about it?

Mr. OTEPKA. Yes, sir.

Mr. Chairman, may I first, with your indulgence, point out that this is my first appearance before this committee as a witness. I have not previously testified, as erroneously reported in the New York Times, nor was I present here yesterday at the hearing on Mr. Sonnenfeldt, as erroneously reported by the New York Times.

The CHAIRMAN. I would like for the record to show that it was at my request that you are here. I saw your name more times than one in connection with this matter, and I felt that you should be called and asked to testify. I think the record should also show that we have had no discussion either over the telephone or in any other way about this matter.

Mr. OTEPKA. That is correct, sir.

The CHAIRMAN. Go right ahead.

Mr. OTEPKA. I first became aware of Mr. Sonnenfeldt's activities in about 1954 and 1955 when it was alleged that he was leaking classified information to various members of the press, including representa-

tives of the New York Times and specifically others, such as John Scali, who is now the U.S. Ambassador to the U.N.; Marvin Kalb of CBS, and there were several others.

The CHAIRMAN. You had better go ahead and name them too while you are at it.

Mr. ОТЕРКА. The other names escape me at the moment but I would like to refresh my recollection on it. There is another witness available who had access to the full record who can be of assistance to the committee in this matter and I will suggest his name later.

The CHAIRMAN. Yes.

Mr. ОТЕРКА. The allegations in 1954 were investigated. There was an attempt to resolve them by the use of a wiretap surveillance which was conducted by the Department of State.

Now the records of the surveillance, that is the actual traffic, was not available to me but I did receive summaries of it, and it was established that there were such leaks of information.

However, because of the delicacy of the matter, and the concern by management that evidence of this nature might meet with some objections, I was not allowed to, nor able to utilize it in the course of my official appraisals of Mr. Sonnenfeldt's conduct. I did later interview him about that, and I will get to that, but I am trying to trace this now chronologically.

Therefore, in 1955, it was decided not to take any administrative action against Mr. Sonnenfeldt based on these alleged and established leaks.

The CHAIRMAN. You are talking about 1955.

Mr. ОТЕРКА. Yes, sir.

The CHAIRMAN. Go ahead.

Mr. ОТЕРКА. Subsequently—this happened in 1958—it was brought to my attention that Mr. Sonnenfeldt was involved in a leak of classified intelligence information to a member of a foreign nation, in this instance the Government of Israel. The reports, as I recall some of the reports, were made available to me. Others were not. There the reason was again that the nature of the information involved was of such a delicate, sensitive nature, involving our relations with a foreign government, that even security officers were not allowed to examine the full details. But my recollection is that a Mr. Koczak, Mr. Stephen Koczak, was an eyewitness to the disclosure of information by Mr. Sonnenfeldt to a representative of the Israeli Government and that the matter was, managementwise, handled exclusively topside with the results that again I, as a security officer, could not examine all of the vital details. But my understanding was that these offenses were committed; that the State Department decided not to take any administrative action based on this particular offense since it might impair our relations with the Government involved.

Also, from an FBI standpoint, the traffic or the reports concerning this matter were handled through exclusive, restricted channels relating to the development of information concerning the operations of the Israeli Intelligence Service in the United States.

So once again administratively Mr. Sonnenfeldt was home safe. He was allowed to remain in his position.

I was asked in 1959 to interview Mr. Sonnenfeldt, and I did so with the aid of another State Department security officer. His name is

Francis Niland. But because of the restraints and the delicate considerations involved the confrontation by—of Mr. Sonnenfeldt with this information that I summarized was not allowed to Mr. Niland and myself. The matter was resolved by management in this way: that Mr. Sonnenfeldt would continue in a position he then occupied in the Arms Control and Disarmament Agency but the duties of his office did not entail access to highly sensitive intelligence information. And that was a consideration by management in transferring Mr. Sonnenfeldt to the Arms Control and Disarmament Agency and that he would remain there indefinitely under proper scrutiny and he would not be getting classified data that might be leaked by him to the press.

In the interview, Mr. Sonnenfeldt denied to Mr. Niland and myself that he committed these leaks. I want to emphasize here that the evidence obtained by investigations conducted by the State Department established the leaks so any denial by Mr. Sonnenfeldt to me or to this committee at any time that he leaked such information is a gross falsehood. And I think in that respect the committee is—this committee which is considering his qualifications to be a Presidential appointee—is entitled to the truth, and he ought to tell the truth about that, as I am telling the truth right now.

In 1960 when I was off on a special assignment, I became aware that Mr. Sonnenfeldt was again alleged to have leaked classified information to unauthorized persons.

The CHAIRMAN. This is 1960, now?

Mr. ОТЕРКА. Yes, sir.

The CHAIRMAN. Go ahead.

Mr. ОТЕРКА. The allegations—and these again were established by investigative techniques including the use of wiretaps for the second time, and also personal surveillance. It was revealed that Mr. Sonnenfeldt was communicating information to persons with whom he had no authority to deal with in connection with his official duties in the State Department. This was, I believe, at the height of the Presidential campaign of 1960. Among the persons he was observed having contact with were Marguerite Higgins, who is now deceased, a newspaper woman; Robert Kennedy, who I believe had not yet been nominated to be Attorney General. With respect to Mr. Kennedy, it was observed by State Department investigators that he personally accompanied or was at least seen leaving with Mr. Kennedy at the home of Marguerite Higgins where apparently Mr. Sonnenfeldt had no business to be during official working hours.

I understand that there were lie detector tests administered to Mr. Sonnenfeldt. I did not participate in these lie detector tests and I understand also from newspaper reports according to Mr. Sonnenfeldt's statement that he passed these tests with flying colors.

Well, we have got to consider, first of all, that lie detector tests are of questionable validity at times, and also that the person who submits himself to a lie detector test can beat such a test by preparing himself properly for the questions that are asked. In this case, I am told that by the investigator who had full knowledge of the contacts with Kennedy and with Miss Higgins, that the lie detector operator simply asked Mr. Sonnenfeldt some very perfunctory questions that did not go into substance.



I thereafter lost contact with the—that is subsequent to 1961, and I want to add another fill in. I lost contact with the Sonnenfeldt matter after 1961 because I was permanently detailed to other duties that took me out of the mainstream of making day-to-day security evaluations with respect to State Department employees. But I was aware, in fact I had personal knowledge, that the wire tap traffic concerning Mr. Sonnenfeldt's contacts with unauthorized persons was being transcribed by my own secretary, and she was loaned by me for that purpose because I, as I pointed out, I was detailed to other duties.

Subsequent to 1961 I had no further access to the Sonnenfeldt record.

In January of this year I was asked by John Hemenway to submit to him for the purposes of a formal grievance hearing in the State Department my knowledge of the bona fides, the credibility of Mr. Sonnenfeldt because, as explained to me by Mr. Hemenway, Mr. Sonnenfeldt, in some official documentation made some misrepresentations regarding Mr. Hemenway and his very vital grievance case in the State Department.

I was perfectly willing to assist Mr. Hemenway in this matter and I did so assist him by providing him with a sworn affidavit summarizing some of these things I have just now mentioned here orally, and that, I believe, is a matter of committee record.

In May of this year I was present in this hearing room on the initial appearance of Mr. Sonnenfeldt before this committee, and I daresay that I was appalled at the fact that he denied to this committee at that time, as he apparently denied again yesterday, that he committed these leaks. As a professional security officer, Mr. Chairman, I have a great concern, and I believe every congressional committee should, and I know that they do, with respect to the showing of lack of integrity on the part of some high government officials, and I think this is a perfect example.

I have witnessed such incidents before. It was in my own case. Government officials, high government officials in the State Department, appeared before a congressional committee and made false statements under oath concerning State Department wiretap operations, concerning false documentation that was put into the record and used against me, thereby indicating a parallel between my case and Mr. Hemenway's.

I think that the State Department should be held to account for all of these things that Mr. Sonnenfeldt has said by letting the committee see the entire unexpurgated record.

I think that there is a tendency on the part of government at times to withhold vital information from congressional committees because of the desire to promote some favored individual who seems to enjoy some immunity against punishment while, on the other hand, those who tell the truth before congressional committees are punished for it and sometimes those penalties are very, very severe.

I am ready to answer any questions, Senator.

The CHAIRMAN. Did you say that your secretary transcribed some of these tapes?

Mr. ОТЕРКА. Yes, sir.

The CHAIRMAN. Her statement to you was to the effect that the nominee had breached security regulations?

Mr. OTEPKA. No, I did not say that.

The CHAIRMAN. Well, that is—

Mr. OTEPKA. I am sorry, may I clarify that if there is some misunderstanding on the record?

I was merely mentioning in the chronology that I was relating that my personal secretary transcribed some of the wiretap traffic for management. I did not see the traffic myself. But I do know it related to the question of Mr. Sonnenfeldt's contracts during 1960 and 1961 with unauthorized persons.

The CHAIRMAN. I believe this is the first I have heard about this 1960 matter that you have testified to. If I understand your testimony, you have told us here that someone in the State Department had felt there was reason to feel it would be appropriate that they tap conversations by Mr. Sonnenfeldt, and that these wiretaps came forth with violations of security.

Is that correct or not?

Mr. OTEPKA. That is right.

The CHAIRMAN. Do you know that as a fact or is that something that someone told you?

Mr. OTEPKA. Well, I received the information officially through State Department channels while I was a State Department employee and the person who told me about it was the investigator working on the case. He was simply giving me a fill-in relating to the prior evidence of Mr. Sonnenfeldt leaking classified information and expressing his own personal feeling about the continuation of the same type of activity by Mr. Sonnenfeldt.

The CHAIRMAN. Could you tell me that officer's name?

Mr. OTEPKA. Yes, sir; the individual who—

The CHAIRMAN [continuing]. Who gave you this information.

Mr. OTEPKA. His name is Francis Niland.

He was a State Department security agent until about 2 years ago when he went to the Internal Security Division of the Department of Justice where he is now presently employed. I think he would be a very good witness, sir, and I would like to suggest that he be called.

The CHAIRMAN. I was told that at some point you had cleared. Mr. Sonnenfeldt yourself; is that correct or not?

Mr. OTEPKA. That is correct.

The CHAIRMAN. Would you mind explaining that?

Mr. OTEPKA. Yes, I would be glad to.

A security clearance in the Government is predicated on the relationship of the position the person occupies to the national security, so all things considered, all evidence considered, in view of the position that Mr. Sonnenfeldt then occupied when I was reviewing his case for the purpose of clearance, he could be continued in that position, and that position was in the Arm's Control and Disarmament Agency, which is an adjunct of the State Department.

I did not subsequently participate in any clearances of Mr. Sonnenfeldt after the interview I had with him in 1959. Whatever clearances were given to him following that date were issued by someone else than me.

The CHAIRMAN. Do I understand that the type of clearance that you agreed to at that point was a clearance of less than the highest order? In other words, you perhaps felt that in that area there would not be the highest Government secrets that one would be dealing with?

Mr. ОТЕРКА. That is correct, and Mr. Sonnenfeldt, for example, could not continue in his duties in the Bureau of Intelligence Research, and that judgment was made by the Director of Bureau of Intelligence Research, Mr. Hugh Cumming, because the duties of that position required that its incumbent have access to communications intelligence traffic of the United States.

Mr. Sonnenfeldt was ineligible automatically for that access because he is not a native-born citizen and also based on considerations, which I discussed with Mr. Cumming, that there was a propensity on the part of Mr. Sonnenfeldt to divulge classified information to unauthorized persons, that he would not otherwise be trustworthy to have access to this highly classified intelligence information.

The CHAIRMAN. Well, there is a lot more you should be asked to tell us about. I cannot go into all of it at this point. I may have to ask one of our staff people to sit with you and ask you a great number of additional detailed questions, or else ask you to come back before the committee.

I have to leave at this point, but this is a matter that I think will have to be cleared up one way or the other, and I appreciate your testimony.

Mr. ОТЕРКА. Mr. Chairman, I will be very happy to cooperate.

The CHAIRMAN. Thank you very much, Mr. Otepka. I have no further questions at this point. It may be that some others have some questions.

Senator BENNETT. Mr. Chairman, just to clear up the record thus far, there are three or four I would like to ask.

The CHAIRMAN. Yes.

Senator BENNETT. What was the name of the State Department official who told you that the lie detector test covered only perfunctory questions?

Mr. ОТЕРКА. Mr. Niland.

Senator BENNETT. You are coming back to him.

Who administered the lie detector test?

Mr. ОТЕРКА. The State Department itself did not possess the necessary equipment. It was usually borrowed from another Government agency as well as the services of an operator.

Usually the operator was a private individual under contract with government agency. I believe in this instance the operator was a person who had a contract for the purpose of administering lie detector tests with the CIA.

Senator BENNETT. Was Mr. Niland present when the test was administered?

Mr. ОТЕРКА. I do not recall that at this moment, Senator. Usually the security officer is not present with the lie detector operator because there might be some element of disruption that has to be taken into account, and some element of uneasiness that might develop on the part of the person being interrogated having a security officer there in addition to the professional polygraph operator.

Senator BENNETT. Mr. Sonnenfeldt has held some high positions in the executive department since 1960 which apparently required top security clearance. How did that happen, if all these allegations were in the file?

Mr. OTEPKA. I realize, Senator, that the judgments of different persons will differ based on whatever the substantive information is in the record.

I have got to make some assumptions here and I think they are valid ones. I think that the record in the State Department record on the Sonnenfeldt matter has been purged. I think that the wiretap evidence has been destroyed or has disappeared.

Senator BENNETT. Do you have any evidence to that?

This is just an assumption on your part?

Mr. OTEPKA. That is an assumption based on my professional exposure in the State Department to matters of this kind.

Senator BENNETT. In other words, you are saying that whenever the State Department wants to clear somebody they purge their records?

Mr. OTEPKA. Yes, sir.

As a matter of fact, I might give you, I think, a pertinent example, Senator.

The State Department tapped my telephone, and first they denied that they did it, and they had to—they denied under oath that they did it and when they admitted that they did it, certainly this traffic was vital to me and for my lawyer also to examine as relevant consideration in connection with my own hearing before the State Department.

We requested the wiretap traffic from the State Department in 1967. The actual tapping had been done in 1963. We were informed by State Department management that all of the wiretap evidence in the Otepka case had been destroyed.

Senator BENNETT. Who has, who would have, Mr. Sonnenfeldt's complete security file today, the FBI, the State Department, the Department of Justice?

Mr. OTEPKA. It should be the employing agency, and in this case he is an employee of the State Department on detail to the National Security Council, and the full security file should be there.

The Civil Service Commission would have records of what investigations were conducted for the purpose of insuring whether or not the file is complete.

Senator BENNETT. Mr. Sonnenfeldt is being considered for appointment as Under Secretary of the Treasury. Do you consider that appointment more or less sensitive than the work he has been doing on the National Security Council?

Mr. OTEPKA. I think there, Senator, it is not necessarily a question of sensitivity as it relates to the national security, but a question of the man's integrity, and I think that the American people are entitled to have confidence in their public servants and if they do not tell the truth before congressional committees or otherwise to Government security officers, then certainly this raises a very serious question of the man's suitability to occupy a subcabinet post.

Senator BENNETT. That is all, Mr. Chairman.

Senator BYRD. Thank you, Senator Bennett.

Could I just ask one question of Mr. Otepka?

Mr. OTEPKA. Yes, sir.

Senator BYRD. Is wiretapping customary in the State Department?

Mr. OTEPKA. No, sir.

Senator BYRD. It is not customary?

Mr. OTEPKA. No, sir. It was done only on the request of the investigation division and it had to have approval at the highest levels of the State Department, in other words, by the Secretary of State.

Senator BYRD. Is a court order involved?

Mr. OTEPKA. No; there were never court orders involved in those cases which I have mentioned.

Senator BYRD. I cannot remember the law but I thought the law required court orders before—

Mr. OTEPKA. I am not a legal expert.

Senator BYRD [continuing]. Before a person could be wiretapped.

Mr. OTEPKA. But the wiretapping was done by the Government on Government premises.

Senator BYRD. Thank you, sir.

Mr. OTEPKA. Yes, sir.

Senator BYRD. Mr. Sonnenfeldt.

#### TESTIMONY OF HELMUT SONNENFELDT—Resumed

Mr. SONNENFELDT. Senator, might I be permitted to make just a couple of comments on this previous testimony before we proceed?

Senator BYRD. Certainly.

Mr. SONNENFELDT. I have tried to listen to it with care obviously but I would like to point out right now a couple of matters that bear on this.

If there were security violations on my part as alleged in 1954 and 1955 the State Department had available to it administrative procedures that required no disclosure of any sensitive information at all and could have easily separated me since I had no Civil Service status until 1955. I was a probationary employee in the Civil Service from 1952 until 1955 so it would have been a perfectly easy matter without any further questions having to be raised simply to terminate that probationary status. Instead I was given permanent status and subsequently promoted in the Civil Service after 1955.

Indeed throughout the entire period of Mr. Otepka's investigations I was regularly promoted and regularly given additional responsibilities in the Department of State.

The second point I would make is that Mr. Otepka several times referred to an interview that he and a Mr. Niland had with me in 1959. I recall no such interview. The only interview that I recall, as I testified yesterday, was either in 1960 or 1961.

He stated that I was at the time of the 1959 interview in a position in the Arms Control and Disarmament Agency. No such agency existed in 1959. I was not transferred to the U.S. Disarmament Agency as it was called until late 1960. So there obviously is inaccuracy here.

Let me say further that I have noted Mr. Otepka's comment regarding a lie detector test. I have no way of knowing whether that was perfunctory or not. But I am quite sure what Mr. Otepka's judgment would have been had that test turned out to be in my disfavor, I am sure he would have construed that test to be excellent testimony to be used against me. So the fact that it happened to turn out positively is now viewed by him as of no consequence, and I think that gives some indication of the approach that he has taken to this matter.

Further, there is a statement that he himself cleared me for a certain position, and that security clearances relate to the sensitivity of the position. But what he is alleging is not simply a security violation but a violation of law, and consequently by his standard I was not qualified for any job anywhere in the Government and the remedy was not to send me to a job of lesser sensitivity but to take action to separate me from the government altogether.

That clearly did not occur at all. And, on the contrary, some evaluation was made of this entire 6-year effort on Mr. Otepka's part to pin a security charge on me, an evaluation was obviously made of that because I was fully cleared in 1961 for the most sensitive materials despite my foreign birth, which supposedly automatically disqualified me from having access to that information, and then proceeded to go on from there to various positions of high responsibility and high sensitivity.

There is reference to the judgment of investigators and Mr. Otepka's statement, obviously the ultimate judgment is made by people who make the evaluation of the total investigation, of the total evidence available.

That is made repeatedly in the case of persons in my position as security files, security records are updated regularly. I understand a complete investigation and evaluation was made again in 1969 before I joined the highly sensitive position that, joined the White House in the highly sensitive position that I now occupy.

Senator BENNETT. You mean 1969 not 1959.

Mr. SONNENFELDT. 1969, yes.

So I would again have to conclude, although I do not know this from my personal knowledge since I do not have access to my own security files, that these materials in their totality were evaluated by qualified people at various times.

I simply wish to make these statements for your record to give you some flavor, both as to the accuracy and the spirit involved in the statement that you have heard here from Mr. Otepka.

Senator BENNETT. May I ask one question?

Senator BYRD. Yes, sir.

Senator BENNETT. Do you remember going with Robert Kennedy to call on Marguerite Higgins?

Mr. SONNENFELDT. Yes, sir, I remember having lunch with Miss Higgins and former Senator Kennedy. I think it is again some reflection on these allegations that both these individuals are dead, that this particular luncheon should have been raised here as a sinister occurrence in my past record. I happen to have known Miss Higgins since the end of World War II. I knew her socially, my family knew her socially, her family socially, and we saw them socially and I did have lunch with her on some occasions, and there was one occasion at which the late Robert Kennedy was also present. That is accurate, and the people who evidently tailed me did a very commendable job of discovering that.

Senator BENNETT. Was that at her home?

Mr. SONNENFELDT. I believe it was at her home, yes.

Senator BENNETT. I suppose her premises were not tapped?

Mr. SONNENFELDT. I have no way of knowing, but—I simply do not know, Senator.

Senator BENNETT. So the assumption, it must be an assumption if the three of you had lunch, if you used it as an opportunity to leak sensitive material that they would have no way of proving it, would they?

Mr. SONNENFELDT. I have no idea what tapping was going on in those days.

I have no idea what information might have been available. In any event, no secret information was leaked on that or any other occasion. But I am afraid I cannot call these two people as witnesses.

Senator BENNETT. That is all, Mr. Chairman.

Senator BYRD. Thank you, Senator Bennett.

In regard to wiretapping I just want to say I think it is dirty business. I do not like this business of wiretapping.

You mentioned foreign birth I don't think that should in any way be a disqualification for public service in our country. As a matter of fact, I think one of the great strengths in our country is that we have many persons of foreign birth or foreign origin from nations all over the world and I think it has been helpful to our Nation.

I will get back to the line of questioning I pursued before and I will try not to comment, I will just ask your view and let you proceed from there to try to expedite these hearings.

Now, as the nominee for Under Secretary of the Treasury do you feel that the American dollar has deteriorated in value in recent months?

Mr. SONNENFELDT. It has certainly declined in value over the last year or more.

I think it has strengthened some in the more recent period, but there clearly has been a downward trend in its value.

Senator BYRD. As the nominee for Under Secretary of the Treasury, does the continuing and, in my judgment, accelerating inflation disturb you as a potential high official in the Treasury Department?

Mr. SONNENFELDT. It disturbs me both in that capacity and as a citizen, Senator.

Senator BYRD. How seriously do you view the inflationary spiral?

Mr. SONNENFELDT. Well, compared to other countries it is perhaps not quite as serious as in some of those other countries, but I would hope to see that various steps that have been taken will stabilize prices in this country.

I would very much hope that that would be the case.

Senator BYRD. I am not very clear as to your answer.

You are making a comparative answer. My question was how serious do you view the accelerated inflation?

Mr. SONNENFELDT. I take it very seriously.

Senator BYRD. As the nominee for Under Secretary of the Treasury, what is your thinking in regard to Government spending and budget deficits?

Mr. SONNENFELDT. I think Government spending ought to be restrained, it ought to be, Government programs should be judged by necessity, they should be lean.

I think that there are some Government programs that are expensive and that I believe are essential for us to engage in, particular in the area of defense, and if they contribute to the deficit I think we have to make a judgment as to the security needs versus the undesirability of

large deficits. But as general matter I would hope that we can keep deficits within real limits.

Senator BYRD. Deficits within limits.

What do you mean by deficits within limits?

Mr. SONNENFELDT. Well, I would like to see a balanced budget but as a realistic matter that has not proved to be possible. I think we should strive to get as close to that as we possibly can.

Senator BYRD. Has this administration at any time during the time it has submitted budgets submitted a balanced budget to the Congress?

Mr. SONNENFELDT. I don't believe so, Senator.

Senator BYRD. Do you feel Government spending should be limited to estimated revenues?

Mr. SONNENFELDT. Well, if you ask for my preference, I wish that could be so, but I think that we are in a position where this is not always possible.

Senator BYRD. Well, has it been done in recent years?

Mr. SONNENFELDT. I think an effort has been made from time to time but I do not think it has proved feasible to do it.

Senator BYRD. Why has it not proved feasible to do it?

Mr. SONNENFELDT. Well, because I believe the estimated or respective demands on the Federal budget have been such that it has not been possible to find revenues to match it completely. I think that is—I am not an expert in public finance, as I indicated yesterday, but that, I think, is the fundamental reason there are demands on the public purse of many kinds, and the administration has attempted to curtail a number of programs. It has not always succeeded, there are differences of views as to what the priorities should be in regard to Government programs.

As you well know, there are some people in the Congress who feel there is too much being spent on defense. The administration has submitted what it regards as a lean and essential defense budget, but there are these demands on public funds, and as far as I am aware in the national security area, at least, the requests that the Government, the administration has submitted, have been reasonable requests, they have not been padded, they have reflected the best judgment in the Government as to what is required in the national interest.

I would have less judgment to make on domestic programs, with which I have not been involved, but it certainly has been an aim of this administration to keep expenditures and revenue as close to balance as possible.

Senator BYRD. With a deficit, accumulated deficit, in 5 years ending next June of \$116 billion, do you feel that is keeping deficits within bounds?

Mr. SONNENFELDT. I would like to see it smaller. But that is really the best that I can say because it is not—I cannot give you a technical answer very readily in my present position.

I may become somewhat more expert at this in the Treasury Department, but just offhand I would say that it ought to be less than that.

Senator BYRD. Is your philosophy a Keynesian philosophy?

Mr. SONNENFELDT. No. I have a bias in the area of national defense, and I would be prepared to accept the the financial burdens of national defense, but I do not believe, as a matter of principle, in the desirability of large deficits.



Senator BYRD. Do you favor or oppose continued deficit spending?

Mr. SONNENFELDT. I favor it only in the sense that there seems to be no alternative, but it is, if I had it in my capacity to do it over again I would not structure an economy and a government that requires permanent deficit spending but I see no way in which that can be avoided in the foreseeable circumstances.

Senator BYRD. As the nominee for Under Secretary of the Treasury would you comment on this: There has been introduced in the Senate legislation to require the President to submit a balanced budget beginning with the one to be submitted in January.

Would you favor or oppose that?

Mr. SONNENFELDT. Well, I would favor it in principle, Senator, but I would have to really look at the budget priorities and, as I have said before, there are some programs that I regard as absolutely essential, and in my particular case, with my background, those are the ones in the defense area. I am sure there are other people who regard programs in the domestic area as equally essential.

Senator BYRD. I was speaking of the total budget now, that is what I want to get your philosophy on, on the total budget, that is what we have to deal with, and deficits.

Mr. SONNENFELDT. I have no opposition in principle to the idea of a balanced budget.

Senator BYRD. You have no opposition to it.

Well, that is a good concession.

Mr. SONNENFELDT. I can even say I favor in principle a balanced budget. I wish it could be accomplished.

Senator BYRD. The record shows that the Government's Federal funds budget has been in balance only three times during the past 17 years.

Would you give us your thinking; what is your thinking in that regard?

I do think that budgets might have been closer to balance if the essential outlay is, the costs attendant upon the Vietnam war and other defense-related, national security-related expenditures could have been kept lower.

I think that was certainly the intention in the Johnson administration and I believe it was the intention in the Nixon administration. But I myself would have welcomed it if there were more than three occasions.

Senator BYRD. These huge deficits have become greater in recent years, not less. From a Federal funds deficit of \$13 billion in 1970, the Federal funds deficit in 1971 was \$30 billion. In 1972 it was \$29 billion. In 1973 it was \$28 billion and it is estimated to be \$19 billion now.

Now you are going to the Treasury Department. You will be Under Secretary of the Treasury. I am just interested in the views of the high Treasury officials. If the Treasury Department is not interested in getting our financial house in order then I don't know what other departments of Government would be interested in it.

Senator BENNETT. Mr. Chairman, may I make a comment?

Senator BYRD. Please.

Senator BENNETT. It is all the other departments that create the budget. The Treasury just pays the bills.

Senator BYRD. The Treasury also has great input in determining whether there will be a balanced budget or an unbalanced budget, whether a balanced budget will be submitted or not submitted.

If the Keynesian philosophy prevails in high circles of Government then obviously we are not going to have a balanced budget submitted to the Congress and the Congress does not need much encouragement to spend anyway. I think the Senator from Utah will agree.

Senator BENNETT. It has been my observation over the years that both the authorization and appropriation bills are supported particularly by the departments where the money is going to be spent: Agriculture, HEW, HUD, and that in the end, while the Treasury may have some philosophical input, it does not have as much actual practical input as the pressures that develop in the departments where the money is going to be spent, and after the money has been authorized and appropriated then it is up to Treasury to find the money to pay it.

I agree with you that it is important that we have men in the Treasury who have a sense of fiscal responsibility. But sometimes in the end all they can do is try to pick up the pieces after the situation has been created for them by the heads of other departments and by the Congress.

I have great sympathy for the poor Secretaries of the Treasury who have to face this kind of a situation and try to lock the door after the horse has been stolen out of the barn.

Senator BYRD. Well, I am not certain that I fully agree with my able and distinguished friend with all of that because when high ranking officials in the Treasury Department take the view that a balanced budget is an extremist position—

Mr. SONNENFELDT. This official does not take that position.

Senator BYRD. I am not saying that you do.

Mr. SONNENFELDT. This possible official does not take that position.

Senator BYRD. I was just trying to ascertain whether you take that position.

Mr. SONNENFELDT. No, I think—first of all, I do not think the President of the United States and the Secretary of the Treasury can by any remote definition be described as Keynesians.

Senator BYRD. I think you will find the record shows they have described themselves that way.

Mr. SONNENFELDT. Well, I think that they rather reluctantly have had to accept the financial burdens of the many programs that we are engaged in.

Senator BYRD. What you are saying there is contrary to what they have said themselves.

Mr. SONNENFELDT. Well, I think there is a general commitment, certainly on my part and on the part of the administration, as I understand it, to achieving a long-term balance in our budget. I think that we have some very hard decisions before us in regard to taxation in order to achieve that.

Senator BYRD. What is your view in regard to that?

I am glad you brought that up. You will be Under Secretary of the Treasury, now what is your position in regard to additional taxes?

Mr. SONNENFELDT. Senator, I will not have any role in that particular area.

Senator BYRD. What is your philosophy on it?

Mr. SONNENFELDT. Well, I come from a background, Senator, in Europe where high taxes have prevailed for generations.

Senator BYRD. I take it you have no particular concern then about high taxes?

Mr. SONNENFELDT. I have concern about it, yes, I have concern about the role of taxation in the overall performance of the economy.

I think there are limits to that.

Senator BYRD. As much as I admire many of the foreign countries, I do not want our tax system to get in the shape that the tax system that some of these foreign countries are in.

Mr. SONNENFELDT. I agree with you.

Senator BYRD. The fact you came from an area where they have high taxation, higher than ours, causes you, I think, to have a somewhat different view of taxes than I have. I think we are heavily taxed here right now.

Mr. SONNENFELDT. I think we are fortunate and privileged in many ways that we do not have to endure some of the taxation, tax levels in countries—

Senator BYRD. I rather suspect what you are bringing out there is going to be the new line beginning in January that we are not as heavily taxed as many other countries are so we are going to have to become more heavily taxed. Some of these countries like—I cannot remember the rates now, but some of the Scandinavian countries, as I recall, get up to about 20 percent on sales taxes.

Mr. SONNENFELDT. I am not speaking officially because this will not be a role or function that I will perform.

Senator BYRD. I understand, but I am interested in your philosophy as a high official.

Mr. SONNENFELDT. My philosophy is that we should seek a long-term balance, that because—

Senator BYRD. It has been 17 years, that is pretty long.

Mr. SONNENFELDT. Yes, and I think we need to do better.

Senator BYRD. We haven't had a balanced budget since President Eisenhower was President.

Mr. SONNENFELDT. Right.

Senator BYRD. Many people condemned President Eisenhower, I praised him.

I think he was a good President. He took a real interest in trying to get a balanced budget once in a while.

Anyway, you bring out a very interesting point there and I think that is going to be—we will hear more of that, my guess is next January, that other countries have higher taxes and that will be used as an argument that we must have higher taxes.

How do you view the two recent devaluations of the dollar, two within 14 months?

Mr. SONNENFELDT. Well, I think that they have created a more realistic value for the dollar in relation to other currencies, they have had a stimulating effect on our exports and our balance of payments position.

I would hope as I indicated before, that that downward trend has now bottomed out, and that the dollar will stabilize.

Senator BYRD. Well, that is what I feared, that you—I just cannot see where anybody is helped by a devaluation and a deterioration in the value of our dollar, and it has been badly deteriorated and devalued.

As the nominee for the high position of Under Secretary of the Treasury would you give the committee your view as to the worldwide effect on the United States should the dollar continue to deteriorate in value?

Mr. SONNENFELDT. Well, I think there are a number of effects but

one of them, I think, that other countries would devalue as well, and the benefits we have so far achieved in the devaluations in the area of exports will deteriorate.

Senator BYRD. Do you feel the continued budget deficits, represent the major cause for the inflation we are experiencing today?

Mr. SONNENFELDT. Well, without pretending to be an expert, there would seem to be a great many factors, including rising costs of capital, costs of money, cost of labor.

Senator BYRD. Doesn't that get back, doesn't the rising cost of capital get back to these government deficits?

Mr. SONNENFELDT. Not necessarily.

Senator BYRD. Not necessarily. The more the government goes out to borrow, the more competition there is for money for the government, does not that have a—

Mr. SONNENFELDT. I am sorry, sir, I was really referring to the acquisition of capital equipment and the complexities involved in modern technology and things of that sort where costs have simply risen.

Senator BYRD. We are dealing with the Treasury now, you will be Under Secretary of the Treasury, you will have a great deal to do with the extending of credit.

Mr. SONNENFELDT. Not domestically, Senator.

Senator BYRD. To the Soviet, in agreements with the Soviet Union and Communist China.

Mr. SONNENFELDT. Yes, right.

Senator BYRD. I want to get your thinking on this broad subject.

Certainly the more money the Government borrows, the higher the interest rates are going, aren't they?

Doesn't that have an impact?

Mr. SONNENFELDT. That is correct.

Senator BYRD. I remember when you testified in May you felt you had made a fine deal with the Russians on the interest rates, that the Russians did not want to pay that much. They are getting their money at 6½ percent.

The Government right now, until just recently, was paying 9 percent, probably paying 8½ now.

Mr. SONNENFELDT. Well, Senator, the credit given the Soviets in connection with the grain agreement in the summer of 1972 by the CCC was at 6⅓ percent. Three-year money in the summer of 1972 cost the Government 5⅞ percent. Any new money that the Soviets get in this revolving credit today under the CCC is being charged at higher rates than current short term money so it has to be compared to the short term money that the Government had to get in the summer of 1972, and it was about a half point difference, the Soviets were paying about a half point higher.

Senator BYRD. They are still paying that 6⅓ when the Government is now paying—had been paying 9, it has slipped down slightly below 9.

Mr. SONNENFELDT. I think anything the Government borrowed in the summer of 1972 it is paying the rate that it borrowed at that time.

Senator BYRD. That is right.

Mr. SONNENFELDT. And the Soviets are paying off their loan at that rate and any new money that they are borrowing within the \$750 million total up to the \$500 million, is being borrowed at interest rates that reflect the current rates.

I think it is up to something like 9½ percent at the present time.

Senator BYRD. Russia is paying 9½ percent?

Mr. SONNENFELDT. Yes, sir, right.

Senator BYRD. On what loan?

Senator BENNETT. Current borrowings.

Mr. SONNENFELDT. You see, on this agriculture loan when they begin to pay off below \$500 million, they can replenish it up to \$500 million and any replenishment that occurs has to be at the rates then prevailing.

Senator BENNETT. I would like you to submit for the record documentary evidence that Russia is paying 9½ percent.

Mr. SONNENFELDT. I will have to get it from Agriculture.

Senator BENNETT. What is involved in these other rates she is paying. How much money is involved in that deal?

Mr. SONNENFELDT. The Soviets have—I would have to get you the record. It is a small amount because they have only just begun repaying.

Senator BYRD. That is what I am getting at. It is probably just a small amount.

I would like you to get the exact figure, I wish you would submit for the record, you don't have to do it right now but for the committee record, the entire cost of the transaction, that is the interest charges on the entire Russian transaction. It is right in your field.

[The following was subsequently received for the record:]

Period of transaction	Number of transactions	Interest rate (percent)	Amount (in millions of dollars rounded)
<b>Commodities shipped to U.S.S.R. under CCC credit:</b>			
July 1972 to May 1973 .....	10	6½	480
May 1973 to August 1973.....	2	7½	6
Aug. 1-20, 1973 .....	2	8½	16
Aug. 20, 1973, to present.....	3	9½	3
<b>Subtotal.....</b>			<b>505</b>
<b>Registered CCC sales still to be shipped:</b>			
August 1973.....	2	8½	3
September 1973.....	1	9½	20
<b>Subtotal.....</b>			<b>23</b>
<b>Grand total.....</b>			<b>528</b>

NOTE. Terms—36 months from date of shipment, payable in equal 12-month installments. \$31,000,000 has been repaid on 1st group of transactions; 1st payment made on July 16, 1973. Selected estimated average cost to US Treasury of 3-year borrowings: July 1972, 5¾ percent; August 1973, 7½ percent.

Senator BYRD. Senator Humphrey yesterday, at 1:10 p.m. yesterday afternoon made this statement on the floor of the Senate. He said,

"The United States will make Export-Import Bank loans to Russia running into billions of dollars."

Would you indicate how many billions of dollars are likely to be involved?

Mr. SONNENFELDT. That is totally uncertain, Senator. At the present time the credits that have been approved amount to about \$230 million. A number of billions and billions are normally cited in connection with the natural gas deals which have been talked about but no decisions have been made in that regard.

Those deals are being talked about by private companies. The Government's decisions in regard to those deals relating not only to their financing but to many other aspects, price, national security aspects, all these matters are still under review.

The companies have not even submitted full proposals. They are still involved in various preliminary negotiations. So the idea of billions and billions of dollars being given in credit to the Soviet Union is entirely a matter of speculation.

The Export-Import Bank is up to actually approved credit and preliminary commitments of somewhat over \$300 million at the present time, and guarantees of loans of somewhat over \$200 million to a total of probably about \$500 million and that is, I think, approximately where it is going to stay for quite some time to come.

Senator BENNETT. Mr. Chairman, I have got to leave at 11:15 and I wonder if you will let me take a minute or two and go back to the preceding part?

I would like to go back to the preceding part of this discussion, some questions have occurred to me reacting to Mr. Otepka's testimony.

The indication is that Mr. Hemenway who has appeared as a witness before this committee has some reason to feel that you should be, some personal reason to feel that you should be denied approval.

Did you ever have a personal relationship with Mr. Hemenway?

Mr. SONNENFELDT. Senator Bennett, I testified in May, I believe, to the fact that Mr. Hemenway was a subordinate of mine in the Department of State for some period of time in the 1960's, and I wrote performance ratings on him and also reviewed other people's performance ratings on him at that time.

Senator BENNETT. Was it as a result of that, was he either denied promotion or separated from the Department?

Mr. SONNENFELDT. I don't know the circumstances of his separation from the Department in detail. My performance ratings, as these performance ratings are supposed to do, discussed the strengths and the shortcomings in an officer's performance.

I did that as conscientiously as I could, stressing both aspects of that performance. I cannot tell you what role that played in the judgment of promotion boards and personnel people and so on played in the State Department.

Senator BENNETT. Did anyone else make performance ratings of his work or were you the sole source?

Mr. SONNENFELDT. Well, when he was on my staff I believe as his division chief I did the performance rating and somebody else did the review of the performance rating. I think subsequently when I had advanced to being a deputy office director he was still in that office and the initial rating would have been written by his then division

chief and I would have written a reviewing statement of that. I think I wrote performance ratings twice and reviewing statement perhaps once in that period of time.

Senator BENNETT. Do you remember enough about those ratings to indicate that they could have had a very serious effect on Mr. Hemenway's career in the State Department?

Mr. SONNENFELDT. Well, on the negative side I pointed out in the ratings that there were some problems with regard to Mr. Hemenway's drafting of papers, which was one of the principal functions of the office, that they required a good deal of editorial work before they could be disseminated. I think I may have pointed out that his very strong and otherwise quite commendable feelings regarding the Soviet Union, skepticism about the Soviet Union, sometimes intruded into what was supposed to be a rather dispassionate clinical analysis of Soviet behavior, and that he was perhaps better suited for a policy position rather than a research position requiring that kind of dispassionate analysis.

On the other hand, I also pointed out in these performance ratings his great dedication and conscientiousness in his work and ambition and general ability.

He was subsequently transferred from my office and worked elsewhere in the State Department and I really cannot judge at all to what degree these ratings played a role in the manner in which his career was handled in the Department of State.

I simply was not consulted and I don't know.

Senator BENNETT. You said that Mr. Otepka wanted to get something on you for a number of years. Can you tell us anything about policy differences, philosophical differences, between you that might have colored his attitude?

Mr. SONNENFELDT. I have no—I have never had a philosophical conversation or policy conversation with Mr. Otepka as far as I can recall in my life. I have no knowledge whatsoever concerning his motivations or his purposes. I assumed he was doing his duty or thought he was doing his duty. In any event, it sounds from his testimony as though this effort went on for at least 6 years involving evidently some substantial amount of wiretapping surveillance and other rather intimate supervision of my behavior and performance, and there evidently is an element of frustration that after all that effort my clearances were confirmed and my career proceeded. But I would not attempt to judge motivation or purpose. I assume he was attempting to do his duty.

Senator BENNETT. Has Dr. Kissinger examined your security file, so far as you know?

Mr. SONNENFELDT. I can only make an assumption which would be that he has.

I believe I have testified earlier that before I went to the White House, I pointed out to him that there had been some security allegations made and that I had been the subject of at least one security investigation in which I myself participated as a subject of or object of interrogation. I cannot testify from my own knowledge as to whether he reviewed it; my guess would be that he did.

I believe that he has testified in his own hearing that no security violations were found in the case of any of the individuals that were in-

investigated subsequently in the NSC staff, so I would assume that he certainly did.

Mr. KOCZAK. May I ask for a point of personal privilege? Yesterday I testified extemporaneously and had no written statement since I did not expect to testify. The New York Times has a report today about me to which I take exception. It alleges I have been carrying on a campaign against Mr. Sonnenfeldt. I would also like to be permitted to comment on some of Mr. Sonnenfeldt's rebuttal of my testimony yesterday. Also I request permission to have the author of this New York Times article identified in your committee files and to inform him whether any of you previously heard me on this matter. I believe it is a matter of my own reputation in light of the tendentious New York Times report. I should like to have permission to come back and testify.

Senator BENNETT. Senator Byrd is the chairman but remembering the reaction of Senator Long yesterday to an attempt from the floor to interject a witness into the hearings, I would suggest to you that you address a letter to the chairman making your point.

Mr. KOCZAK. I have done that and it was not accepted; the staff will not—

Senator BENNETT. I do not think we have the right to overstep the chairman.

Senator BYRD. The Chair agrees with Senator Bennett, and the interrogation of Mr. Sonnenfeldt will continue.

I would say to Mr. Hemenway, if you want to leave that with the staff, you have the right.

Mr. HEMENWAY. Excuse me, Senator. I am Mr. Hemenway; that is Mr. Koczak.

Mr. KOCZAK. It was submitted earlier and it was not accepted by your staff.

Senator BYRD. Just for the record, Mr. Otepka's testimony in your regard occurred before or, I assume, before he received an appointment by President Nixon to the high position to which he was appointed.

Mr. SONNENFELDT. I am sorry, Senator.

Senator BYRD. Was Mr. Otepka appointed to high position by President Nixon—

Mr. SONNENFELDT. I believe he was appointed—I do not know the timing of it—I believe he was appointed to a position in the Subversive Activities Control Board, but I do not know.

Senator BYRD. That is what I was thinking of. But his testimony in your regard occurred before that date, I assume.

Mr. SONNENFELDT. These events that he described in his own testimony here this morning occurred in the 1950's, I believe, and early 1960's. I do not know what subsequent role he had.

Senator BYRD. Thank you.

Do you consider Russia a serious potential threat to world peace?

Mr. SONNENFELDT. Yes, I think the Soviet Union could be a serious potential threat to world peace. It is a strong military power. It is a dynamic power. There are some areas of weakness on its borders. I think it could be; yes. That is why we have alliances, that is why we need our own troop commitments in Europe and elsewhere. I think



that military balance has to be maintained and carefully maintained or it could be quite dangerous.

Senator BYRD. I would like to get into some detail in regard to the October agreement at which time, as I understand it, a suggested settlement or potential settlement of Russia's debt to the United States was negotiated. Is that correct?

Mr. SONNENFELDT. This lend-lease settlement was negotiated concurrently with the trade agreement and was part of the package that was announced on October 18 last year; yes, sir.

Senator BYRD. What was the total Russian debt to the United States prior to the October agreement?

Mr. SONNENFELDT. As it was left in the previous round of negotiations which, I believe, was in 1960, the debt was set at \$800 million.

Senator BYRD. You do not contend that \$800 million was all that Russia owed to the United States, do you?

Mr. SONNENFELDT. No, Senator, the formula that was developed in the 1940's and 1950's regarding the settlement of the lend-lease—

Senator BYRD. Let me ask you the question: How much does Russia owe to the United States, leaving out whatever concessions you may have made in October?

Mr. SONNENFELDT. The total aid extended by the United States to the Soviet Union in World War II was \$11.1 billion.

Senator BYRD. Now we are getting someplace.

Mr. SONNENFELDT. Yes.

Senator BYRD. \$11.1 billion—

Mr. SONNENFELDT. Right.

Senator BYRD [continuing]. Is what Russia owed the United States.

Mr. SONNENFELDT. Yes. I was going to refer to the analogous case of Great Britain to show how these figures are eventually arrived at. The similar figure for Britain was \$21.5 billion.

Senator BYRD. Let's deal with Russia, if we may.

Mr. SONNENFELDT. Well, there was a theory involved concerning the computation of the debt.

Senator BYRD. I want to understand the debt first. Russia owes the United States \$11.1 billion; is that correct?

Mr. SONNENFELDT. No; the United States extended to the Soviet Union aid amounting to \$11.1 billion. The question of what the Soviet Union owed the United States relates to the definition of that debt that was made in the Truman and Eisenhower administrations and that involved a deduction from those figures of any materiel that was actually expended during the war—tanks, airplanes, anything that was lost, damaged and lost, during the war—because I think the assumption was made 25 years ago that this was done in a common cause against Nazi Germany. And the computations of what the actual debts were in both cases, had to do with the amount of materiel left at the end of the war, usable in the civilian economy. That was the standard that was applied, and by that standard the British are paying \$895 million—

Senator BYRD. Please, if you don't mind, don't get me mixed up with Great Britain; I want to stick with Russia.

Mr. SONNENFELDT. All right.

Senator BYRD. I want to understand it.

Mr. SONNENFELDT. So the figure that the U.S. Government came down to by this computation, as I have just indicated, that is the

amount of equipment left over and usable in the civilian economy, came to \$800 million.

Senator BYRD. How much did Russia owe the United States January 1, 1972?

Mr. SONNENFELDT. By our calculation, \$800 million. Yes; that is right.

Senator BYRD. What is the source of those figures?

Mr. SONNENFELDT. The source of my statement? Well, it is simply—

Senator BYRD. I am talking January 1, 1972.

Mr. SONNENFELDT. Before the negotiation was completed?

Senator BYRD. Before the negotiations.

Mr. SONNENFELDT. Yes. It was where the previous negotiation had left off, essentially in 1960. And the Soviets offered \$300 million and the United States asked \$800 million.

Senator BYRD. That does not—the total, the debt owed by Russia to the United States has been given to me by the Library of Congress, the source being the Treasury Department, at \$2.6 billion. That is after writing off the remainder of the \$11.1 billion.

Mr. SONNENFELDT. Your question related to January 1, 1972.

Senator BYRD. Correct.

Mr. SONNENFELDT. Which is the first that I was really involved in it and that was the figure that in the 1950's, when this first process of trying to get a settlement was undertaken, in 1954 in a series of negotiations, that was the—the \$800 million was the figure that the United States arrived at and that is where the figure stood in another round of negotiations in 1960 when the Soviets made their repayment conditional on the granting of MFN and that is where we picked up in the final round that eventually led to a conclusion.

Senator BYRD. Well now, I want to understand this \$2.6 billion. We got this from the Library of Congress and the source was given as the Treasury Department.

Mr. SONNENFELDT. As of when, Senator?

It is frankly not a figure that I am familiar with because I have been operating since I have become involved in this with the \$800 million figure, and that is the figure that we took into the negotiations.

Senator BYRD. Where did you get the \$800 million figure?

Mr. SONNENFELDT. That was the figure that was determined in the Eisenhower administration in 1954 to be the total Soviet obligation.

Senator BYRD. What publication is that carried in, that figure?

Mr. SONNENFELDT. Well, I am quoting at the moment from a document called "Public Information Series, Bureau of Public Affairs of the Department of State, December 11, 1972."

Senator BYRD. Was not the Russian debt to the United States substantially greater than that, was it not \$2.6 billion?

Mr. SONNENFELDT. It may have been calculated at that, I am now speaking not from research on the matter, it may have been calculated to be that back in the late 1940's or early 1950's. But it is my information that in 1954 when these negotiations were picked up again and were aborted, and then again in 1960, the figure was \$800 million.

Senator BYRD. I would like to get this figure of \$2.6 billion cleared up.

Mr. SONNENFELDT. Well, I would have to try to get some more historical information on the lend lease negotiations. But in this administration we inherited a figure of \$800 million left over from previous negotiations.

Senator BYRD. I would like to, if it is agreeable to you, suppose we give both of us an opportunity to try to see why we are so far off on this figure?

Mr. SONNENFELDT. I would be glad to go back when this is finished and see if we can do a little research on it and get you the—a statement of the history of it. I am simply not that familiar with the early history of these negotiations. I know that this administration inherited a figure of \$800 million as the Soviet obligation and that is the basis on which we negotiated or the administration negotiated.

Senator BYRD. Well, perhaps—I would like to pursue a little more questioning on this proposition and if you would make that research for the committee that would be helpful.

Mr. SONNENFELDT. All right, sir.

Senator BYRD. I would like to research it back a good bit.

Mr. SONNENFELDT. Well, I will try to do my best.

Senator BYRD. One branch of the Government has given me a figure of \$2.6 billion, they may be wrong.

Mr. SONNENFELDT. I will try to do the best I can when I get back to try to get you the information.

Senator BYRD. Thank you.

[The following was subsequently received for the record from Mr. Sonnenfeldt:]

#### LEND-LEASE VALUATIONS

All lend-lease recipients, beginning in the late summer of 1945, were asked to prepare inventories of lend-lease supplies still on hand as a basis for negotiations. When negotiations with the USSR began in 1947, the Soviet delegates said that they had prepared no such inventory and, accordingly, the US side reconstructed from US shipping records a hypothetical inventory of civilian-type goods likely to have been in the Soviet Union on September 2, 1945. Allowances were made for war losses, and in the valuation of durable goods for depreciation. Thus, (in millions of US dollars):

##### Consumables:

Food	144
Automotive parts	34
Metals	53
Other	126
Subtotal	357

##### Durables:

Locomotives	208
Machinery	946
Non-combat vehicles	560
Other	246

Subtotal	1960
Freight	289

Total 2606

The Soviets rejected categorically the above estimate. They called it "abstract statistical calculations" not reflecting the "actual status of the undistributed lend lease balance."

The Cold War had started. By act of Congress (Third Deficiency Appropriations Act of 1946 and the Supplemental Appropriation Act for 1948) deliveries

of post-war lend-lease supplies for which we had contracted and the Soviets had agreed to pay were held up. The US started the 1948 negotiations with the USSR with no agreed US-Soviet basis for calculation, and in an era of increasing bad feelings. Hence, a rough starting figure of \$1.3 billion for the inventory was prepared by the US as a first step, to which the Soviets responded with an offer of \$170 million. When negotiations took place again in 1951-52, the US put forward the figure of \$300 million and the Soviets raised their offer from \$240 million to \$300 million, which the United States rejected. No further movement on numbers occurred until 1972.

#### U.S. LEND-LEASE SETTLEMENT WITH THE SOVIET UNION

On October 18, 1972 Secretary of State Rogers and Soviet Minister of Foreign Trade N. S. Patolichev signed an agreement settling the Soviet Union's lend-lease debt to the United States. Under its terms the Soviet Union will pay the United States at least \$722 million by July 1, 2001. More significantly, the settlement removes what had been a major obstacle to the development of normal commercial relations between our two countries.

#### *Purpose of Lend-Lease*

Congress enacted the lend-lease program before our entry into World War II in order "... to Promote the Defense of the United States." By helping other countries resist Axis aggression, we aided our own defense. Once we were in the war, lend-lease became an instrument for strengthening our allies and promoting the cause of worldwide victory over enemy forces. Lend-lease was not a loan of money nor was it provided for the exclusive benefit of the recipient country. It was a program that served the mutual interest of all the allies and that contributed mightily to the eventual defeat of the Axis powers.

#### *U.S. Policy on Payment for Lend-Lease Goods*

Lend-lease aid to our allies fell into two categories: (1) goods delivered before September 20, 1945 and (2) goods requested and contracted for before V-J Day (September 2, 1945) but not delivered until after September 20. This second category included large quantities of supplies and equipment that either were in production or storage in the United States when the war ended.

Insofar as the first category is concerned, we sought no payment for equipment and services furnished our allies which were lost, consumed or destroyed during the war. Nor did we seek compensation for combat items (as tanks and military aircraft) left over at the war's end. We are, however, receiving payment from most of our allies for civilian-type goods useful to a peacetime economy which were in other countries' possession when military operations ceased (September 2, 1945). Additionally, we are receiving payment for lend-lease articles delivered after the program formally ended (September 20, 1945).

#### *Soviets Made Payment for Goods Delivered After Termination of Lend-Lease*

On October 15, 1945 the Soviet Union agreed to pay for lend-lease articles which were in production or storage in the United States before the program ended. The amount due for these goods—called the "pipeline" account—was set at \$222.5 million. This amount was to be paid in 22 annual installments, with interest at 2½ percent per annum. The Soviets paid their first installment on July 1, 1954. The overall settlement agreement signed on October 18 incorporated this "pipeline" account.

#### *Previous Attempts to Reach Agreement on Civilian-Type Goods Unsuccessful*

In line with our policy toward all lend-lease recipients, the US Government asked the Soviets to pay for civilian-type goods on hand at the war's end on the basis of "fair" or "reasonable" value. However, the Soviets never gave us an inventory of what they had which fell into this category. This position left the two sides without an agreed statistical basis from which to negotiate although we had our own calculations. The negotiations held between 1948-1952 saw the Soviets offering up to \$300 million—a figure we rejected as unacceptably low—while we asked for \$800 million.

Negotiations resumed in 1960. This time, however, the Soviet side insisted that any lend-lease settlement would have to be coupled with a trade agreement giving them tariff treatment in US markets as favorable as that accorded most other countries. (In 1961 the US Government had terminated a 1937 commercial agreement with the Soviet Union. In its place we substituted a tariff schedule

higher for goods imported from the Soviet Union than from other countries to which we accord "most-favored-nation" tariff treatment. The Soviet negotiators also requested US credits similar to those we had provided other wartime Allies. US negotiators were not empowered to negotiate on these points, and the talks broke off.

#### *1972 Negotiations Produce Agreement*

Negotiations resumed again in April 1972. In May, during the course of the Moscow Summit meetings, Secretary Rogers and President Nixon discussed the subject with Premier Kosygin. A third negotiating session was held in Moscow in July concurrently with the visit of Secretary of Commerce Peterson. A final round of talks, beginning in September, produced a trade agreement, reciprocal credit arrangements and a lend-lease settlement, all of which were signed on October 18. The settlement is a fair one and is at least as favorable to the United States as the lend-lease accord with the United Kingdom, which was used as a model. Below is a comparison between the two settlements:

	United Kingdom	Soviet Union
Total net aid extended.....	\$21,500,000,000.....	\$11,100,000,000.
Total amount to be paid.....	\$895,000,000 <sup>1</sup> .....	\$921,000,000. <sup>1</sup>
Grace period.....	5 years.....	None.
Final due date.....	Dec. 31, 2005—(could be Dec. 31, 2008, if 3 additional permitted deferments taken).	July 1, 2001—no extension.
Annual deferments.....	7 allowed—extends final due date.	4 allowed—no extension.
Interest rate on deferments....	2 percent.....	3 percent.

<sup>1</sup> Assumes no deferments and includes payments on the "pipeline" account (approximately \$199,000,000 was received from Soviet Union from 1954 through July 1, 1971).

By terms of the settlement the Soviet Union will pay the United States at least \$722 million over the period ending July 1, 2001. A first payment of \$12 million was made when the agreement was signed. The second, for \$24 million, is due on July 1, 1973 and another \$12 million is due on July 1, 1975. These payments are unconditional.

The balance of the sum will be paid in equal annual installments. The date of the first of these installments will depend, however, on when US tariff discrimination on imports of Soviet goods ends. This action—the extension of "most-favored-nation" tariff treatment to the Soviet Union—will require the approval of Congress.

The terms of the settlement also allow the Soviets the privilege of deferring up to four of their annual installments. In such a case interest charges on each installment, at three percent a year, would be added to the total. In that event, the total Soviet payments to the United States would exceed the \$722 million figure.

#### *Negotiations Point toward More Secure Future*

While in the Soviet Union for the Summit talks, President Nixon spoke to the Soviet people about his efforts as President of the United States to work for better relations between our two countries. He pointed to the agreements reached at the Summit and expressed the hope that, finally, the world's two nuclear superpowers had begun "the long journey" that would lead to a new age in their relations with each other and in the world's chances for a lasting peace. By themselves, these post-Summit agreements on lend-lease and US-Soviet commercial relations stand as examples of how economic partners can resolve their problems in a mutually satisfactory and business-like fashion. Considered in a wider context, however, they offer evidence that "the long journey," recently begun, has carried the United States and the Soviet Union one step farther along on the road toward the secure peace we all desire.

Senator BYRD: Now just one final question, and I must go to the Senate. Could you do this: Could you list for us one, two, three, four, five, whatever it might be, just what of a tangible nature we obtained from the various 1972 deals with Russia, of a tangible nature?

Mr. SONNENFELDT. Well, No. 1, we settled the lend-lease debt.

Senator BYRD. Wait a minute. We haven't even established what they were and how they were settled.

Mr. SONNENFELDT. We settled at \$722 million, that is clear.

Senator BYRD. I don't know what that means as compared to \$2.6 billion.

Mr. SONNENFELDT. No, but you asked me what tangible—

Senator BYRD. I don't regard that as a tangible plus from our point of view, if it was \$2.6 billion and we settled it for \$700 million.

Mr. SONNENFELDT. It is, I cite it as, an agreement in 1972 involving the payment by the Soviet Union of that amount of money.

Senator BYRD. All right.

What about anything else?

Mr. SONNENFELDT. Second, the various provisions in the trade agreement that I have indicated that are tangible in the sense that they involve the actual establishment of American facilities in the Soviet Union, American commercial offices in the Soviet Union.

The Soviet commitment, we have not had a case arise yet, but the Soviet commitment, to third-party arbitration, the establishment of a trade center in the Soviet Union for various kinds of facilities for American firms. These things are not perhaps very tangible because the agreement itself is, as I said before, a framework agreement rather than a specific trade agreement.

Senator BYRD. Do you feel that if the United States were to grant most-favored-nation treatment to Russia that we should seek in return a trend toward more democracy in Russia? Should we seek some concessions in the way of better life for their people?

Mr. SONNENFELDT. Well, if I may, Senator, I share the Secretary of State's view on this, and that is that the gradual increase in trade, together with a variety of other exchanges on which we have made agreements, will produce that effect. I would have serious doubts about attempting to set specific conditions regarding the domestic structure of the Soviet Union, the domestic system of the Soviet Union, in connection with the granting of MFN, but I think the effect of an intensified set of interrelationships in a variety of areas, trade included, will be to produce some mitigation in the life of the Soviet people.

Senator BYRD. You do not share the view, then, of Sakharov and his supporters in Russia as to the unwisdom of détente without democratization?

Mr. SONNENFELDT. I think that if détente occurred without some, if you want to call it democratization or some adjustment in the Soviet system it would be very unfortunate. But it is my judgment that a policy of normalizing relations, of détente as it has been called—I do not myself like that term—

Senator BYRD. What do you prefer?

Mr. SONNENFELDT. I would prefer normalization of relations, carefully conducted, can, over a period of time, have some impact on the nature of Soviet society, so that I do not believe that this is a black

and white alternative. In any event, I would not want us or the other countries of the West to conduct policies without regard to this long-term goal of making the Soviet Union a constructive member of the international community.

I think that should be our goal. But I do not believe that it is wise or, as a matter of fact, effective, to set conditions regarding the domestic Soviet order when we make particular agreements in various fields with the Soviet Union.

Senator BYRD. Why? Why do you feel that way?

Mr. SONNENFELDT. First, because I do not think we will get the agreements.

Senator BYRD. Well, are the agreements so important that we have to make whatever concessions are necessary to get them; is that what you are saying?

Mr. SONNENFELDT. I doubt that the Soviet Union, as a matter of legal commitment, will enter such an agreement, and they would probably forego the agreement.

Of course, there have been certain modifications in Soviet practice such as the suspension of the exit tax and the continuation—

Senator BYRD. What is given one day can be taken away the next day. There has been no real change, has there?

Mr. SONNENFELDT. There has been no tax charge.

Senator BYRD. There has been no real change, though, in the Russian attitude toward her Jewish citizens and toward other citizens within her nation?

Mr. SONNENFELDT. I cannot tell you whether there has been a real change. We can only look at the evidence, and the available evidence indicates that no tax has been charged, and that some 30 odd thousand people, mostly Jews, left, I think—

Senator BYRD. You do not favor putting any conditions on Russia insofar as the most favored nation concession is concerned?

Mr. SONNENFELDT. Not of this character, no, sir.

Senator BYRD. Of any character?

Mr. SONNENFELDT. Yes.

Senator BYRD. What?

Mr. SONNENFELDT. Reciprocity for American trade, guarantees concerning market disruption, and all the normal provisions that are normally attached to trade agreements.

Senator BYRD. But the Secretary of State, as I understand him, and as you indicated a little while ago, does not favor any conditions on Russia so far as, as a result of the way her people are being treated.

Mr. SONNENFELDT. Yes; and I do not think it is customary in any event in international relations to attach such conditions.

Senator BYRD. Now that brings me to another point. The Secretary of State has also testified that he favors economic sanctions against Rhodesia.

Now, that is a direct interference with another country.

Mr. SONNENFELDT. Well, he would—it is not something in which I have participated, he would have to speak for himself, but there is a difference.

Senator BYRD. What is that difference?

Mr. SONNENFELDT. That is we are not making an agreement with Rhodesia in which we are setting conditions regarding the domestic order of Rhodesia.

Senator BYRD. No; we are telling Rhodesia that "We are not going to deal with you, we are not going to trade with you, unless you do certain things," but you are not willing to say that to Russia.

Why do we not say it to both of them if we are going to say it to one?

Mr. SONNENFELDT. Well, I don't myself believe that, in the case of the Soviet Union that this is a helpful or productive way to make—

Senator BYRD. What about in regard to Rhodesia?

Mr. SONNENFELDT. Well, I am not in position to make a judgment about the impact on Rhodesia of this kind of activity.

Senator BYRD. Do you favor economic sanctions against Rhodesia or not?

Mr. SONNENFELDT. I am not an enthusiast for economic sanctions.

I would have to really think about the matter of sanctions with respect to Rhodesia. I think there is a question of how effective these things may be, that has to be taken into account.

In any event, in the case of the Soviet Union where the issue is the negotiation of an actual agreement, I do not—

Senator BYRD. What I am trying to do is show the hypocrisy of our Nation where we are willing to take a small country which, by no conceivable stretch of the imagination can be considered a threat to world peace, and bring to bear the vast economic might of the United States against her. But we won't seek any concessions whatsoever from Communist Russia. I say that does not appeal to me to be very logical, to put it moderately. I ask unanimous consent that some tables that I have prepared dealing with the national debt, showing the continued deficit spending and showing how our liquid liabilities to foreigners have shot up to where it is now more than \$90 billion, that it be inserted in the record at this point.

[The tables prepared by Senator Byrd follow:]

*Deficits in Federal funds and interest on the national debt, 1955-74 inclusive*

[In billions of dollars]

	Receipts	Outlays	Surplus (+) or deficit (-)	Debt interest
1955-----	58.1	62.3	-4.2	6.4
1956-----	65.4	63.8	+1.6	6.8
1957-----	68.8	67.1	+1.7	7.3
1958-----	66.6	69.7	-3.1	7.8
1959-----	65.8	77.0	-11.2	7.8
1960-----	75.7	74.9	+0.8	9.5
1961-----	75.2	79.3	-4.1	9.3
1962-----	79.7	86.6	-6.9	9.5



*Deficits in Federal funds and interest on the national debt, 1955-74  
inclusive—Continued*

[In billions of dollars]

	Receipts	Outlays	Surplus (+) or deficit (-)	Debt interest
1963-----	83.6	90.1	-6.5	10.3
1964-----	87.2	95.8	-8.6	11.0
1965-----	90.9	94.8	-3.9	11.8
1966-----	101.4	106.5	-5.1	12.6
1967-----	111.8	126.8	-15.0	14.2
1968-----	114.7	143.1	-28.4	15.6
1969-----	143.3	148.8	-5.5	17.7
1970-----	143.2	156.3	-13.1	20.0
1971-----	133.7	163.7	-30.0	21.6
1972-----	148.8	178.0	-29.2	22.5
1973-----	161.3	186.2	-24.9	24.2
1974 <sup>1</sup> -----	181.0	199.8	-18.8	27.5
20-year total...	2,056.2	2,270.6	-214.4	273.4

<sup>1</sup> Estimated figures.

Source: Office of Management and Budget and Treasury Department, Aug. 1, 1973.

Prepared by Senator Harry F. Byrd, Jr., of Virginia.

*U.S. gold holdings, total reserve assets, and liquid liabilities to foreigners*

[Selected periods in billions of dollars]

	Gold holdings	Total assets	Liquid liabilities
End of World War II-----	20.1	20.1	6.9
Dec. 31, 1957-----	22.8	24.8	15.8
Dec. 31, 1970-----	10.7	14.5	47.0
Dec. 31, 1971-----	10.2	12.2	67.8
Dec. 31, 1972-----	10.5	13.2	82.9
Mar. 31, 1973-----	10.5	12.9	90.9

Source: U.S. Treasury Department, June 1973.

Prepared by Senator Harry F. Byrd, Jr. of Virginia.

[In billions]

	Fiscal year—						
	1968	1969	1970	1971	1972	<sup>1</sup> 1973	<sup>1</sup> 1974
<b>Receipts:</b>							
Individual income taxes.....	\$69.0	\$87.0	\$90.0	\$86.0	\$95.0	\$101.0	\$115.0
Corporate income taxes.....	29.0	37.0	33.0	27.0	32.0	36.0	40.0
<b>Total.....</b>	<b>98.0</b>	<b>124.0</b>	<b>123.0</b>	<b>113.0</b>	<b>126.0</b>	<b>137.0</b>	<b>155.0</b>
Excise taxes (excluding highway).....	10.0	11.0	10.3	10.5	9.1	11.9	13.2
Estate and gift.....	3.0	3.5	3.6	3.7	5.2	5.0	5.4
Customs.....	2.0	2.3	2.4	2.6	3.2	3.2	3.5
Miscellaneous.....	2.5	3.0	3.4	3.9	3.5	3.9	3.9
<b>Total Federal fund receipts.....</b>	<b>116.0</b>	<b>143.0</b>	<b>143.0</b>	<b>134.0</b>	<b>149.0</b>	<b>161.0</b>	<b>181.0</b>
Trust funds (social security retirement, highway).....	38.0	44.0	51.0	54.0	60.0	71.0	85.0
<b>Total.....</b>	<b>154.0</b>	<b>188.0</b>	<b>194.0</b>	<b>188.0</b>	<b>209.0</b>	<b>232.0</b>	<b>266.0</b>
<b>Expenditures:</b>							
Federal funds.....	143.0	149.0	156.0	164.0	178.0	186.0	200.0
Trust funds.....	36.0	36.0	40.0	48.0	54.0	61.0	69.0
<b>Total.....</b>	<b>179.0</b>	<b>185.0</b>	<b>196.0</b>	<b>212.0</b>	<b>232.0</b>	<b>247.0</b>	<b>269.0</b>
Unified budget surplus (+) or deficit (-).....	-25.0	+3.1	-2.0	-24.0	-23.0	-15.0	-3.0
Federal funds deficit.....	27.0	6.0	13.0	30.0	29.0	25.0	19.0

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<sup>1</sup> Estimated figures.

Prepared by Senator Harry F. Byrd, Jr. of Virginia, June 15, 1973.

The CHAIRMAN. I believe reported Paul Scott would like to testify on this matter; I think his name has gotten into the record at some point. I know Mr. Scott is in the room, and I would suggest we excuse the present witness at this point and let Mr. Scott have his turn.

Thank you very much.

Mr. SONNENFELDT. Did you want me to stay?

Senator BYRD. Not for me.

The CHAIRMAN. I would suggest that you stay here, but I don't plan to call you as a witness again today. If you don't want to stay you don't have to. It is up to you, Mr. Sonnenfeldt.

As far as I am concerned, I think Mr. Scott should be heard. He has suggested to me he be heard, and I would like to call him now.

Mr. SCOTT. I would like to be sworn like the other witnesses.

The CHAIRMAN. Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SCOTT. I do.

### TESTIMONY OF PAUL SCOTT

Mr. SCOTT. My name is Paul Scott and I write a syndicated column for approximately 50 newspapers. The reason I asked the Chairman to appear here is because in the earlier hearing, Senator Byrd asked Mr. Sonnenfeldt about a column which I wrote on May 3 and which deals with this matter.

Being an independent columnist I just want to be sure to have the record straight because my whole basis of my integrity is at stake in this column, and I have one suggestion of how the committee can go to the central point of this and clear it up very fast.

First of all, I stated in the column that Mr. Sonnenfeldt gave material to a foreign national. This can be checked out and proven by calling a man who sat on the wiretap whose name I have given, Mr. Herbert Lampe, who is in the security division of the State Department. The matter was of such importance that Mr. Lampe sat on this tap, conducted the wiretap, for over a year after the allegation was made.

I have a second suggestion for the committee, that the committee obtain the CIA file on the operation of Israeli intelligence in the United States, and they will see, the source of mine is CIA, the many contacts that were made by Mr. Sonnenfeldt with Israeli intelligence. And as suggested this morning by Mr. Otepka, that Mr. Frank Niland be called.

I believe that if those three things were done, the committee will be able to resolve this as to who is actually lying or what the actual facts are.

The CHAIRMAN. Thank you very much, Mr. Scott. We will undertake to inquire into these matters. I regret that the information that was available to me through FBI sources did not cover this. It might have made some reference to it, but it certainly did not name the individuals or give the leads that you have made reference to. We will look into it. That is all we can do.

Thank you very much.

I believe Senator Byrd has indicated he wanted some additional information, did he not, for the record?

Mr. SONNENFELDT. I just talked to Senator Byrd and I will send to him a memorandum on the two points that were raised very shortly.

Mr. KOCZAK. Senator Long, I had addressed a letter to Senator Byrd on the matter of the integrity of my testimony and I had asked the Senate Finance Committee to confirm that none of you had ever heard from me prior to this in this matter, that I have not been campaigning against the nomination of Mr. Sonnenfeldt; further, that in the testimony I gave, I do not believe having said at any point that the FBI has distorted the record.

I believe that Mr. David Binder wrote this misleading New York Times article, though his name is not identified as the author. I believe that the integrity of your own committee, of the willingness of witnesses to appear before you under oath, will be highly subject to question unless you extend the protection to the witnesses before you. It should be clear that, since I have not spoken previously to any of you, I had not campaigned against Mr. Sonnenfeldt. I had not spoken to you or any other member. I ask you to canvass the members of the committee and kindly indicate to me by writing and to the press whether you had previously heard, any of you, from me in this instance.

The CHAIRMAN. I don't believe I have seen the article.

Mr. KOCZAK. It is on the other side of my letter sir.

The CHAIRMAN. I have not seen the article in the New York Times, but since the matter came up, I think if it would help to make the record clear for all concerned, I should state that I had no knowledge of Mr. Koczak's views in this matter nor what Koczak knew or did not know, and so far as I know no member of the committee did. I was shown a copy of a communication in which his name was mentioned, but I never met Mr. Koczak until he identified himself in the committee room yesterday.

Mr. KOCZAK. Thank you, sir.

Mr. HEMENWAY. Mr. Chairman, may I ask a question of you?

The CHAIRMAN. Come take the witness stand if you want to say something to me.

Mr. HEMENWAY. Yes, sir.

Mr. Chairman, without taking any great deal of your time, when you were out of the room Senator Bennett was asking some questions of Mr. Sonnenfeldt concerning the clash of views or possible altercations in the past that might have led to my being here today. Well, of course in my opening statement I set out some of them.

In response to a question, and I do not know if Mr. Sonnenfeldt was under oath or not, this morning Mr. Sonnenfeldt said that he was not consulted in the matter of my career or how it was handled, that is the career of John Hemenway, that is not a true statement. Sonnenfeldt was specifically consulted in January of 1969 by two ambassadors, Ambassador Parsons and Ambassador Penfield.

If I may, I would like to write a letter to your committee giving the details of that investigation during which time Mr. Sonnenfeldt introduced some untrue statements into the record which, in fact, had a great effect on the career of John Hemenway. He made one other misstatement or not a complete statement. He said that Mr. Hemenway had some trouble with drafting. Well, now, in the lower end of the

Foreign Service the ability to draft of course is a very critical skill.  
**Mr. Sonnenfeldt**—

The **CHAIRMAN**. Well, now, Mr. Hemenway, I understand how strongly you feel about your experience in the State Department. But that is just not a matter that this committee is in the position to deal with. Now it is about the best we can do to exercise oversight over the Treasury Department and the Department of Health, Education, and Welfare which has more employees than the average State government. We have just about all we can do to be able to pass judgment on the qualifications of people who are recommended to us with regard to jobs over which this committee has jurisdiction.

**Mr. HEMENWAY**. I understand that.

The **CHAIRMAN**. I know you believe you were done a grave injustice, but the committee cannot pass on it. About the best we can do is to try to pass judgment and try to do a good job passing on the qualifications of people who are recommended to us for a position within our jurisdiction. I hope you understand that I will have to be opposed to this committee going into the matters involving your history in the State Department because we do not have jurisdiction over it and it is all we can do to handle matters over which we do have jurisdiction.

**Mr. HEMENWAY**. I understand your position fully and I sympathize with it as I said in my first statement. The issue here is the veracity of a witness, it is not a small point. It is easily verifiable. Either the man did not tell the truth or he did tell the truth. Now in that particular matter Sonnenfeldt did not tell the truth. As a matter of fact, the specific criticism of my drafting was that it was propagandistic, that is, anti-Soviet in tone.

Now in view of Mr. Byrd's line of questioning, I think that is germane to the inquiry. If a man, if I may use the word, knifes another man in the bureaucracy because he really wants to get at his policy position, his point of view, that then also impinges on integrity. I think you would agree that it is a matter—it is a difficult matter to get at but it is a matter—your committee would be concerned with. If it is a provable point, then it is something hard that you can measure. Either it is true or it is not true. It is a fact that Mr. Sonnenfeldt's statement this morning was incorrect and it was a substantial—

The **CHAIRMAN**. Send us a letter as to what you have referred to and we will take a look at it.

**Mr. HEMENWAY**. Yes, sir.

[The following letters were subsequently received for the record:]

WASHINGTON, D.C., October 3, 1973.

**Sen. RUSSELL B. LONG,**

*Chairman, Senate Committee on Finance, U.S. Senate*

**DEAR CHAIRMAN LONG:** Although I have not yet had a chance to check the transcripts (they are not available for October 2) in the matter of the confirmation of Helmut Sonnenfeldt, one untruth of which I have personal knowledge must be called to your attention.

Senator Bennett asked several questions about the Hemenway/Sonnenfeldt relationship of Mr. Sonnenfeldt who, presumably, was still under oath, since you swore him in on October 1.

Senator Bennett asked Mr. Sonnenfeldt what impact Sonnenfeldt's official personnel actions might have had on Hemenway's career.

"I wasn't consulted . . ." replied Sonnenfeldt.

**Mr. Chairman,** that is not a true statement. Mr. Helmut Sonnenfeldt specifically was consulted by two Ambassadors during the month of January 1969.

They were J. Graham Parsons and James K. Penfield, senior inspectors. The matter is documented in the Hearing Record of the Hemenway Grievance Hearing Committee of the Department of State.

No further questioning was pursued on this point, although every member of the Finance Committee familiar with the record must have known that this was not a true statement. I had mentioned Sonnenfeldt's false statement of record in my statement to the Committee on May 15.

For the record, the three-man Department of State Hearing Committee, after a three-year hearing, ordered my reinstatement with promotion, payment of legal fees, an apology, and withdrawal of untrue statements made by the Department of State officials against me to the public and to Congress. Only the apology has been extended, thus far.

I appreciate that your Committee can not get involved in my own matters. It should be concerned, however, with a nominee who repeatedly fails to candidly tell the Committee the whole truth. I was flabbergasted when I mentioned Sonnenfeldt's untrue statement to Sen. Bennett. Senator Bennett told me, "I can't tell which one of you is lying!" (I.e., Sonnenfeldt or Hemenway.)

I trust that this is not the problem of the entire Committee—or even of the majority.

If it is, one must ask exactly what evidence the Committee is prepared to accept?

The parallel to the Watergate matter is evident, I believe, except that one of the several press representatives present, representing the *New York Times* has sided with Mr. Sonnenfeldt, before the evidence is in, and has publicly stated that this is the position of all of the members of the Committee except one. Evidently the NYT claims to speak for the one member of the Committee who also is a member of the Watergate Committee; it is my understanding that this claim is premature. I most certainly hope so.

I prefer to believe that your Committee will be thorough, Mr. Chairman, because without knowing the facts, the Committee can hardly vote intelligently.

So far, only three of the witnesses I mentioned as easily available (in my statement of May 15) have been heard. The testimony of all three indicates that Mr. Sonnenfeldt has not told the Committee the complete truth in his testimony and, in certain details, either has deliberately lied or forgotten. It is also clear that agencies have withheld information vital for full understanding from the Committee. Three at least have done this: the FBI, Treasury, and the Department of State (or the Executive Office Bldg.)

On a score of lesser points, Mr. Sonnenfeldt has been self-serving in his use of the truth. For example his incorrect restatement of my testimony found on page 50, line 4 of the Transcript of May 15. This enables him to deny that his salary increased when he became an FSO-1. In fact I had said his emoluments were greatly increased. That is a true statement and I stand on it. This is detail that you probably wish to ignore.

On major issues, however, witnesses contradict Mr. Sonnenfeldt under oath. This suggests problems that should be delved into further by your staff before it votes on the confirmation of Mr. Sonnenfeldt.

Sincerely yours,

JOHN D. HEMENWAY,

WASHINGTON, D.C., October 4, 1973.

Sen. RUSSELL B. LONG,  
*Chairman, Senate Committee on Finance, U.S. Senate*

DEAR CHAIRMAN LONG: Mr. "Sid" Goldberg called me today. Mr. Goldberg is the former editor and publisher of the Government Employees Exchange, a newspaper concentrating on the personnel practices of the Federal Government. (For 22 yrs.)

Mr. Goldberg said that he had read about the confirmation hearing of Mr. Sonnenfeldt and that he had some information he could provide in sworn testimony to your Committee.

Mr. Goldberg's information, as related to me, concerns the "cleansing" of Mr. Sonnenfeldt's security file in the Department of State. A high source in the Department of State—a former ambassador—who is now in the banking and savings and loan industry provided him with his information.

From a different source, I learned that the individual who actually handled the materials given to the three-man examination panel considering Mr. Helmut Sonnenfeldt's entrance into the Foreign Service was Mr. Jesse Mackenzie Mac-Knight, at the time, a foreign service officer. As you know from my May 15 testimony, I believe that this manipulation of the records constituted a fraud and that Mr. Sonnenfeldt's entrance into the Foreign Service at the very top (FSO-1) was fraudulent. This fraudulent entrance occurred in August 1970.

In the transcript of October 1, 1973, p. 108, lines 6-10, you state, "... for my part, if someone wants to submit something of that sort they ought to bring someone to confirm it or some evidence to prove it, otherwise I think we ought to go ahead and confirm this man..." On line 13 of page 102 you remind me that "You don't run this Committee." Because I felt I might have offended you I apologized for doing what you had requested: I had supplied you with a copy of a telegram sent you by Mr. Otto Otepka, offering to testify under oath concerning what Mr. Otepka called "gross falsehoods" of Mr. Sonnenfeldt. For some reason, you had not received this telegram that was sent you two days earlier.

You will recall that you had just stated your view (p. 101, 124 of T. 1 October) that "... if anyone had anything to support any sort of adverse charges against [Mr. Helmut Sonnenfeldt] that by now they should have come forward with it..."

At that point I stepped forward with the Otepka telegram and, later, Mr. Kozak noted that he was present in the room.

As you felt constrained to remind me, Mr. Chairman, I am not the chairman. I am not even a senator. I do not even earn my living (or a penny) in calling these matters to your attention. I have come forward and identified many witnesses to confirm what I stated on May 15; the names of other witnesses have cropped up subsequently, like the name of Mr. Goldberg who called me this morning (*Note that I did not go to him*).

Since you are Chairman of the Finance Committee and since Senator Mondale has identified the post for which Mr. Sonnenfeldt has been nominated as "... one of the most important in American government..." I do think that some care should be exercised before arriving at final judgments in matters that are admittedly delicate.

The matters at issue here are capable of being resolved, i.e., whether they are true or not true; it is then for the Committee under your leadership to determine whether the matters raised are important to the nomination. I know that you must feel this way too, or you would not have allowed me to come forward in the first place (and the second) to present my testimony. That action of yours, as Chairman, convinces me that you will want to hear all of the evidence that is easily available to the Committee, if the Committee only elects to call the witnesses whose names have been made a matter of record, or whose names can be provided by witnesses who have already testified.

Sincerely yours,

JOHN D. HEMENWAY.

The CHAIRMAN. The committee stands in recess subject to the call of Chair.

[Whereupon, at 11:45 a.m., the committee was recessed subject to the call of the Chair.]

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