

FACING REALITY IN THE PERSIAN GULF

CURRENT STRATEGY FORUM, 1978

AN ADDRESS

GIVEN AT THE NAVAL WAR COLLEGE

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BY

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THIS IS THE MOMENT YOU'VE BEEN WAITING FOR, BECAUSE AT LAST I HAVE A MAN OF WHOM I CAN SAY, "...WHO NEEDS NO INTRODUCTION." BUT I COULDN'T SAY THAT IF I HAD NOT KNOWN HIM AS WELL AS I DO, BECAUSE 35 YEARS AGO WE WERE SITTING ON PARK BENCHES IN THE CITY OF ANNAPOLIS, TREMBLING IN OUR CIVILIAN CLOTHES, AWAITING INDUCTION IN THE NAVAL ACADEMY. WE'VE BEEN CLOSE FRIENDS EVER SINCE. IN FACT, WE WERE SO CLOSE AFTER WE GRADUATED THAT WE PUT IN FOR AND GOT ORDERS FOR THE SAME DESTROYER. I WAS THINKING WHAT KINDS OF ODDS WE WOULD HAVE GOTTEN ON SOME OF THOSE EPISODES WE WERE IN OUT THERE IF SOMEBODY HAD SUGGESTED, "WHAT ARE THE ODDS OF THESE TWO GUYS TO END UP AS THREE-STAR ADMIRALS." CERTAINLY, IT WOULD HAVE BEEN ASTRONOMICALLY BIG. THE TOTAL INVOLVEMENT CAME FROM A FAMILY VIEWPOINT. HIS MOTHER AND FATHER WERE DEAR TO ME, AND VICE VERSA AS EVIDENCED BY HIS GOING HOME WHEN MY MOTHER DIED WHEN I WAS INDISPOSED, AND ACTING IN MY STEAD. WITH A BIG CAREER IN MANY FACETS OF THE NAVY, PARTICULARLY IN THE SUBMARINES WITH A LOT OF MEDALS AND A LOT OF AIR MEDALS AS A RESULT OF THE VIETNAM TOUR. HE'S GOT MOST OF A LAW DEGREE, AN MA FROM STANFORD AND ALL OF A PH.D. FROM PRINCETON. WE'VE GOT A SLIGHT CHANGE IN THE TITLE OF THE SPEECH WHICH I'LL EXPLAIN. BILL HAD AS HIS PREVIOUS TOUR TO THIS ONE THE MATTER OF THE MIDDLE EAST FORCE. HE'S A THINKING ORGANISM.

I KNOW HIS REACTION WHEN HE CAME TO TAKE THE JOB AS OPO-6,
DEPUTY CNO FOR PLANS, POLICIES AND OPERATIONS. NOTICING HOW
THE YOUNG FELLOWS REACTED BECAUSE HE DOESN'T GIVE THE STOCK
ANSWER. HE ALWAYS ASKED, "WHY IS THAT SO?" AND ONE OF
THE THINGS HE'S BEEN CONCERNED ABOUT SERIOXSLY HAS BEEN NOT
ONLY THE POLITICS IN THE MIDDLE EAST BUT THE ENERGY CRISIS
AND HAS PUT TOGETHER A NEW SPEECH, "FACING REALITY IN THE
PERSIANULF." BILL CROWE.

FACING REALITY IN THE PERSIAN GULF:
TODAY'S CHANGING AND UNCERTAIN STRATEGIC CLIMATE

JIM STOCKDALE AND I AS YOU'VE MENTIONED, WERE VERY GOOD FRIENDS OF LONG STANDING. WE ENTERED THE NAVAL ACADEMY THE SAME DAY; MORE AMAZING WE GRADUATED THE SAME DAY. AND GIVEN SOME OF THE ADVENTURES WE SHARED THERE, IT'S AMAZING THAT WE GRADUATED ANY DAY. JIM MENTIONED OUR ASSOCIATION IN CALIFORNIA (MY HOME'S IN OKLAHOMA) AND WHEN WE USED TO MAKE LIBERTY OUT IN CALIFORNIA I USED TO GET KIDDED QUITE A BIT ABOUT BEING AN "OKIE." AND JIM FINALLY PUT ME ONTO THE ANSWER TO THE QUESTION. HE SAID, "YOU JUST TELL THOSE CALIFORNIANS THAT THE OKIE IMMIGRATION RAISED THE INTELLIGENCE LEVEL OF BOTH STATES." YOU KNOW, I BELIEVE THAT.

IN A MORE SERIOUS VEIN IT'S A GENUINE PRIVILEGE FOR ME TO PARTICIPATE IN THIS FORUM AND TO ADDRESS THE ASSEMBLED GROUP THIS MORNING, WHICH HAS DEVOTED THE LAST THREE DAYS TO A SERIOUS CONSIDERATION OF THE NAVY'S POTENTIALITIES AND PROBLEMS.

IN HIS OPENING ADDRESS, SECRETARY CLAYTOR SOUNDED THE NEED FOR A NAVY WHICH IS CAPABLE OF PROVIDING AN "IMMEDIATE AND DIRECT RESPONSE" TO A VARIETY OF CIRCUMSTANCES, AND WHICH CAN DEAL WITH THE INEVITABLE UNCERTAINTY THAT CHARACTERIZES THE NATURE OF THE WORLD. NOW IN MY VIEW, THESE

REQUIREMENTS HIGHLIGHT THE MOST PERSUASIVE AND IRREFUTABLE ARGUMENT FOR AN EFFECTIVE AND STRONG NAVY. WE LIVE IN A CONSTANTLY CHANGING AND UNPREDICTABLE INTERNATIONAL ENVIRONMENT AND THE NAVY IS IDEALLY SUITED TO PROVIDE THE NATION WITH A HEDGE AGAINST A SPECTRUM OF POLITICAL UNCERTAINTIES.

UNFORTUNATELY IN AN EFFORT TO MAKE THE PLANNING AND BUDGET PROCESS MANAGEABLE, THERE IS A STRONG TEMPTATION TO OVERSIMPLIFY OR TO IGNORE UNCERTAINTY. I'M GOING TO CONFESS THAT AT THIS POINT I WAS GOING TO TAKE A SALVO AT THE SYSTEMS ANALYSTS BUT I THINK THIS SUBJECT'S BEEN ADDRESSED BEFORE IN THIS FORM. YOU UNDERSTAND NOW, THAT THE NAVY DOESN'T OBJECT TO SYSTEMS ANALYSTS - JUST SOME OF THEIR CONCLUSIONS THAT BOTHER US. IN ALL FAIRNESS THOUGH, IN MY BUSINESS, WITH MY RESPONSIBILITIES WHICH ARE PRIMARILY POLITICAL-MILITARY, I FIND THAT IT'S NOT JUST SYSTEMS ANALYSTS, BUT A FULL RANGE OF PLANNERS, BUDGETEERS, ECONOMISTS, BUREAUCRATS, AND MILITARY OFFICERS WHO ARE LOOKING FOR ATTRACTIVE SCENARIOS AND ECONOMIES THAT HAVE TO SOMETIMES DRAW RATHER RIGID ASSUMPTIONS. FOR EXAMPLE, OUR ALLIANCES WITH NATO AND JAPAN WILL REMAIN AS THEY ARE TODAY. THE ORIENTATION OF CHINA WILL NOT CHANGE, THE ATTENTION OF THE SOVIET UNION WILL ALWAYS BE RIVETED TO CENTRAL EUROPE; THE WORLD'S ECONOMY WILL BE TROUBLESOME BUT IT WILL ALWAYS BE MANAGEABLE AND NOT A MILITARY PROBLEM.

Now this practice may ease some individual's particular task, but it doesn't always represent the real world, the world that we have to deal with every day. And it may lead us into some rather dangerous shoal waters. I heard a short story on the radio last week that reminded me of this subject. The announcer described the medical researcher who ran into a laboratory and announced to a superior that he had found a cure for cancer. "The drug that I've been working on and administering to Mrs. Jones - the cancer is receding, I think we've broken the barrier." And the supervisor thought about it a minute and then he said, "It's all very good, but what will it do for white mice?"

Now I would be the first to grant, forecasting political trends, economic developments, national attitudes, etc. is a difficult and risky business. As military planners we have very little choice. We've got to attempt to detect change early and hedge against the unforeseen. And I can think of no more graphic example of how uncertainty is at work in our world today than the Persian Gulf.--uncertainty which very well may threaten the basic interests of American business, American industry, as well as pose very serious security problems for the government of the United States. So for the next few minutes I would like to discuss this remote and in many ways exotic part of the world which nevertheless is tied to our destiny. I believe that my remarks will illustrate first, how the strategic picture can change rather dramatically,

AND HOW OFTEN OUR APPRECIATION OF THAT PICTURE LAGS THE EVENT, AND SECONDLY, ILLUSTRATE THE CRITICAL NEED FOR MILITARY FORCES THAT CAN ADJUST TO CHANGE AND COVER A VARIETY OF SCENARIOS.

PRIOR TO WORLD WAR II MOST AMERICANS HAD LITTLE INTEREST IN THE MIDDLE EAST ASIDE FROM READING ADVENTURE STORIES OF PEOPLE LIKE LAWRENCE, GLUBB, PHILBY, AND DIXON. SINCE 1945, HOWEVER, POLITICS AND ECONOMICS HAVE MADE IT DIFFICULT TO IGNORE THE AREA. FOR EXAMPLE, ISRAEL'S FOUNDING AND SUBSEQUENT TRIBULATIONS, NASSER'S RISE, THE LEBANON LANDINGS, PALESTINIAN REFUGEES, ARAB SUMMITS, PLO TERRORISM, THE SUEZ CANAL CLOSURE; EVENTS SUCH AS THESE HAVE ALL COMBINED TO MAKE US MORE AWARE OF THE EASTERN MEDITERRANEAN, IF NOT MORE KNOWLEDGEABLE, AND AWARE OF ITS CONFUSED POLITICAL CURRENTS. AND CERTAINLY, THEY ARE CONFUSED, AT LEAST IN THE AMERICAN MIND. IT TOOK THE OIL EMBARGO OF 1973, HOWEVER, TO DRIVE HOME TO THE WHOLE POPULATION OF THE UNITED STATES THAT WE WERE HEAVILY RELIABLE ON ARAB OIL AND THAT THE PERSIAN GULF WAS THE SOURCE OF MUCH OF OUR ENERGY.

TO THE AVERAGE AMERICAN THE COUNTRIES OF THE PERSIAN GULF LITTORAL STILL PROJECT AN AIR OF MYSTERY AND EVOKE VISIONS OF THE ARABIAN NIGHTS. I'M JUST GOING TO INFLICT YOU WITH ONE VUGRAPH. THIS IS IT. IT'S A DEPICTION OF THE AREA - GEOGRAPHIC DEPICTION. I KNOW IT'S FASHIONABLE IN THIS DAY AND AGE TO APOLOGIZE FOR BUSY SLIDES, BUT UNFORTUNATELY THAT'S THE WAY THE AREA ACTUALLY IS.

ALL OF THE COUNTRIES OF THE AREA ESPOUSE THE MOSLEM RELIGION WITH ITS CONSERVATIVE CODE OF PERSONAL VALUES AND ALL EXCEPT IRAN SPEAK ARABIC. THEY INHABIT SOME OF THE HARSHTEST REAL ESTATE IN THE WORLD AND ARE ALL TORN BY THE STRESSES OF TRANSFORMING TRIBAL AND NOMADIC SOCIETIES INTO THE MODERN WORLD.

ON THE WESTERN SIDE OF THE GULF IS SAUDI ARABIA, THE BIRTHPLACE OF ISLAM AND THE PROPRIETRESS OF THE WORLD'S LARGEST OIL RESERVES AND OF UNIMAGINABLE WEALTH. ITS DEEP-ROOTED IDENTITY WITH THE CONSERVATIVE MOSLEM RELIGION AND ITS MONARCHIAL FORM OF GOVERNMENT ARE ITS CENTRAL CULTURAL FEATURES AND PUT IT INTO DIRECT OPPOSITION TO THE COMMUNIST BLOC. U.S. OIL COMPANIES AND U.S. ADVISORY AND ASSISTANCE OVER THE YEARS HAVE HELPED A GREAT DEAL FOR SAUDI IN ITS EMERGENCE INTO THE MODERN WORLD AND SORT OF FASHIONED A VERY SPECIAL SORT OF RELATIONSHIP BETWEEN WASHINGTON AND RIYADH. TODAY IT IS THE ONE INDIAN OCEAN ARAB STATE THAT HAS BECOME BOTH A REGIONAL AND A WORLD POWER.

BORDERING SAUDI ARABIA ARE A NUMBER OF SMALL DESERT ENCLAVES--YEMEN ARAB REPUBLIC, OMAN, UNITED ARAB EMIRATES, QATAR, KUWAIT AND BAHRAIN. THESE ARE ALL OVERSHADOWED BY SAUDI'S OIL RESERVES AND GENERALLY FOLLOW THE POLITICAL LEAD OF RIYADH. MOST ARE RULED IN THE HISTORICAL MANNER BY A ROYAL FAMILY AND ARE NOT MUCH MORE THAN REGIONAL POWERS. AS A GROUP THEY ARE REMARKABLY SIMILAR IN OUTLOOK PRIMARILY

MANIFESTED BY OIL-DOMINATED ECONOMIES AND NON-COMMUNIST TRADE TIES.

TWO OF THE ADJACENT STATES, IRAQ AND SOUTH YEMEN, ARE IN A SENSE RENEGADES IN THAT THEY HAVE REJECTED THEIR TRADITIONAL RULERS AND ARE SEEKING TO CARVE OUT A FORM OF SOCIALISM THAT CAN LIVE WITH ISLAM. PREDICTABLY, IRAQ IS ALIENATED FROM BOTH THE SAUDIS AND IRAN AND IN TURN ENJOYS RATHER CLOSE TIES WITH THE COMMUNIST BLOC. SOUTH YEMEN IS A CLIENT STATE OF THE SOVIET UNION AND A SOURCE OF GREAT ANNOYANCE TO THE SAUDIS, TO THE NORTH YEMEN AND TO OMAN. RECENT EVENTS IN THE HORN OF AFRICA HAVE REINFORCED AND ENHANCED SOUTH YEMEN'S RELATIONSHIP WITH MOSCOW.

THE REMAINING LITTORAL STATE IS ORAN, WHICH ALTHOUGH MOSLEM, IS NON-ARABIC. IRAN HAS A COMMON BORDER WITH THE SOVIET UNION (THE ONLY STATE IN THE AREA WHICH DOES), BUT THIS HAS INSPIRED RATHER THAN PREVENTED A STEADILY DEVELOPING RELATIONSHIP WITH WASHINGTON, A RELATIONSHIP THAT COMMENCED IN WORLD WAR II AND IS THRIVING STILL TODAY. THE STRENGTH OF THIS BOND WAS MANIFESTED IN 1973 WHEN IRAN REFUSED TO EMBARGO OIL FOR THE UNITED STATES. AS A RESULT OF ITS 34 MILLION INHABITANTS AND ITS GREAT RESOURCES, IT IS BY FAR THE MOST POWERFUL STATE IN THE GULF AND IS IN THE PROCESS OF BUILDING A RATHER RESPECTABLE MILITARY ESTABLISHMENT.

AS I HAVE NOTED, MANY OF THESE NATIONS--LARGE OR SMALL-- POSSESS IMPRESSIVE OIL RESERVES. TAKEN AS A WHOLE THE REGION ENERGY RESOURCES ARE A CRUCIAL FACTOR IN THE WORLD'S ECONOMIC AND STRATEGIC CALCULATIONS FOR THE FORESEEABLE FUTURE. AND I'M NOT SO SURE THAT WE APPRECIATE HOW TRUE THAT STATEMENT IS.

THE LITTORAL COUNTRIES OF THE PERSIAN GULF POSSESS 60% OF THE WORLD'S PROVED PETROLEUM RESERVES. TODAY, THE UNITED STATES IMPORTS AROUND 15% OF ITS TOTAL CONSUMPTION FROM THE AREA, WESTERN EUROPE 57%, AND JAPAN 70%, NOT TO MENTION A HOST OF SMALLER CONSUMERS. OVERALL, THE PERSIAN GULF BASIN TODAY PRODUCES ABOUT 44% OF THE NON-COMMUNIST WORLD'S TOTAL PRODUCTION.

IT IS NOT, HOWEVER, THE PAST OR THE PRESENT WHICH CONCERNS US TODAY. I WANT TO TALK ABOUT THE FUTURE, PRIMARILY. SPECIFIC PROJECTIONS ARE UNCERTAIN AT BEST, WHICH I'M SURE YOU'LL APPRECIATE, BUT THERE IS A STRONG CONSENSUS THAT THE FREE WORLD'S OIL CONSUMPTION WILL CONTINUE TO GROW STEADILY AND THAT THE DEMANDS FOR IMPORTED ENERGY WILL EXPAND DIS- PROPORTIONATELY. EXPERTS ARE LOOKING FOR AN INCREASE IN WORLD DEMAND OF SOMEWHERE BETWEEN 27 AND 37 PERCENT BY 1985. NOW IN TURN THIS MEANS THAT INEVITABLY, IN THE COMING YEARS, MORE AND MORE OF THE FREE WORLD'S OIL CONSUMPTION IS SUPPLIED FROM THE PERSIAN GULF. DETAILED ESTIMATES VARY BUT BY 1985 THE UNITED STATES WILL VERY LIKELY BE IMPORTING FROM THREE TO FOUR

TIMES ITS CURRENT LEVEL FROM THAT AREA. EUROPE, DESPITE NORTH SEA PRODUCTION, WILL BE IMPORTING OVER 65% OF ITS TOTAL CONSUMPTION AND JAPAN OVER 80%. EXACT ESTIMATES ARE IMPOSSIBLE BUT IT IS GENERALLY CONCEDED THAT IN 1985 CLOSE TO 60% OF THE FREE WORLD'S PRODUCTION WILL COME FROM THE LITTORAL OF THE PERSIAN GULF. EVEN MORE FOREBODING THE WORLD'S SUPPLY OF OIL IS NOT INEXHAUSTIBLE. WHEN THE AMOUNT OF OIL THE WORLD HAS ALREADY CONSUMED IS ADDED TO ITS PROVED CURRENT RESERVES, AROUND 1100 BILLION BARRELS, ONE CONCLUDES THAT MORE THAN HALF OF THE WORLD'S TOTAL RESOURCE HAS ALREADY BEEN DISCOVERED. IF NO NEW OIL WERE FOUND, PROVED RESOURCES WOULD MOST LIKELY BE EXHAUSTED IN THE EARLY 1990S GIVEN EXPECTED FUTURE RATES OF CONSUMPTION. IF NEW OIL COULD BE FOUND AND PRODUCED FAST ENOUGH AND LONG ENOUGH, EXHAUSTION COULD BE DELAYED UNTIL SOMEWHERE BETWEEN THE YEARS 2000 AND 2020 AND THAT'S GIVEN ANNUAL CONSUMPTION GROWTHS OF BETWEEN 3 AND 7 PERCENT.

IN ESSENCE THE TRENDS ARE AGAINST US.

OF COURSE, PRODUCTION CANNOT CONTINUE UNTIL EXHAUSTION. WHAT WILL HAPPEN IS THAT ANNUAL PRODUCTION WILL DROP OFF AND A GAP WILL BEGIN TO OPEN BETWEEN REQUIRED CONSUMPTION AND THE AMOUNT OF PETROLEUM PRODUCED. REACTIONS AS THIS GAP OPENS ARE CRUCIAL TO THE NATIONS OF THE WORLD. BEST ESTIMATES OF THE CROSSOVER DATE RANGE FROM 1983 TO 1987. FROM THAT POINT ON, THE RATE OF PRODUCTION GROWTH WILL TAPER OFF AND ULTIMATELY DECREASE UNTIL EXHAUSTION IS REACHED.

IT IS NOT MY PURPOSE HERE TO DISSECT THE DYNAMICS OF THE WORLD OIL SUPPLY, BUT ONLY TO RECOGNIZE THAT WORLD OIL PRODUCTION IS ON THE VERGE OF BEING OUTSTRIPPED BY DEMAND AND THAT THIS WILL HAVE A TRAUMATIC IMPACT ON THE WORLD MARKET.

PRICES WILL UNDOUBTEDLY RISE, PERHAPS TO AN INCOMPREHENSIBLE LEVEL. BOTH DEVELOPED AND LESSER DEVELOPED COUNTRIES WILL HAVE TO MAKE PAINFUL ADJUSTMENTS TO THIS REALITY AT SOME TIME IF MY PREDICTIONS ARE TRUE, POSSIBLY TO THE POINT OF RESTRUCTURING THEIR ECONOMIES AND/OR REDUCING THEIR STANDARD OF LIVING. A FRANTIC COMPETITION FOR AVAILABLE BULK PETROLEUM MAY VERY WELL BUILD UP AND PERHAPS SPARK A CONTEST WHICH MAY EXTEND BEYOND ECONOMIC MEANS. IT IS IMPOSSIBLE TO PREDICT THE PRECISE CHARACTER AND EXTENT OF THE VARIOUS REACTIONS BUT THIS POSSIBILITY OR THIS CONDITION MAY VERY WELL LEAD TO DANGEROUS FRICTION NOT ONLY BETWEEN FOES BUT FRIENDS AS WELL. WE SAW SOME SIGNS OF THAT DURING THE OIL EMBARGO OF 1973.

THE SIGNIFICANT CONCLUSION FOR MY PURPOSES IS THAT NOT ONLY DO THE LITTORAL NATIONS OF THE PERSIAN GULF POSSESS A RESOURCE WHICH IS IMPORTANT TODAY, BUT A RESOURCE WHICH IN THE DECADE AHEAD WILL LITERALLY BECOME VITAL TO THE POLITICAL AND ECONOMIC HEALTH OF THE FREE WORLD. BY 1985 OR SOME TIME (GIVE OR TAKE A FEW YEARS) THE WESTERN NATIONS WILL HARDLY BE ABLE TO AFFORD AN INTERRUPTION TO THEIR ACCESS TO THAT REGION. AND MAKE NO MISTAKE ABOUT IT, AS LONG AS NATO AND JAPAN ARE SO DEPENDENT ON PERSIAN GULF OIL, THE UNITED STATES WILL BE

DEEPLY INVOLVED, NO MATTER HOW RESOURCEFUL WASHINGTON IS IN SOLVING OUR OWN PETROLEUM PROBLEMS.

NOW GIVEN THE PETROLEUM WEALTH OF THE PERSIAN GULF NATIONS AND THE SORT OF CRITICAL CHARACTER OF THAT WEALTH, LET ME TURN TO THE THREATS THAT COULD ELIMINATE OR DISRUPT THE SUPPLY. AND YOU KNOW, I OFTEN THINK THAT IN WASHINGTON AND IN NEWPORT NOT ENOUGH ATTENTION IS GIVEN TO IT, PARTICULARLY BY OUR BUDGETEERS. IT IS ONE ELEMENT OF STRATEGIC EQUATION OVER WHICH THE U. S. GOVERNMENT HAS THE LEAST CONTROL. UNFORTUNATELY, THE PERSIAN GULF AREA IS NOT AS PLACID OR STABLE AS WE WOULD PREFER, AND PRESENTS A SPECTRUM OF SECURITY CONCERNS.

THE ARAB-ISRAELI CONUNDRUM IS STILL VERY MUCH IN THE FOREGROUND, AND AS WE HAVE ALREADY SEEN, THE WESTERN ECONOMY, AT LEAST FOR THE NEXT DECADE OR SO, WILL BE PARTICULARLY VULNERABLE TO EMBARGO OR PRICE PRESSURES AS 1985 APPROACHES. FORTUNATELY, AS LONG AS THE PRODUCERS ARE OUTSIDE THE COMMUNIST ORBIT THEY CANNOT AFFORD TO BRING DOWN OUR ECONOMIC STRUCTURE ALTOGETHER - THEY ALSO DEPEND ON A VIABLE AND HEALTHY FREE WORLD MARKET.

OTHER TYPES OF THREATS ARE NOT AS INHIBITED NOR CAN THEY BE CONTROLLED AS FREELY. TERRORISM IS ALWAYS A POSSIBILITY IN THE MIDDLE EAST NORMALLY ASSOCIATED WITH RADICAL POLITICAL MOVEMENTS OR THE ISRAELI CONFRONTATION. OIL AND ITS ASSOCIATED

FACILITIES ARE BY NATURE VULNERABLE TO SABOTAGE. THIS IS PARTICULARLY TRUE OF THE PERSIAN GULF AREA WHERE VAST OUTLAYS HAVE BEEN CONSTRUCTED WITH LITTLE THOUGHT FOR SECURITY AND OFTEN ARE SPREAD THROUGH UNINHABITED AREAS. GUERRILLA OPERATIONS CAN EASILY INCONVENIENCE OIL PRODUCERS; IF THE DAMAGE IS EXTENSIVE, EVEN EXERT PRESSURE ON THE PRICE IN THE OIL MARKET.

LOCAL POLITICAL UNREST OR A REGIONAL WAR COULD HAVE WIDER AND DEEPER REVERBERATIONS. THE POLITICAL STABILITY OF THE SMALLER ARAB STATES IN THE GULF HAS LONG BEEN OF SOME CONCERN TO RIYADH AND TEHRAN.

THERE ARE A NUMBER OF ELEMENTS AT WORK WHICH JEOPARDIZE OR AT LEAST THREATEN EVERYDAY STABILITY. ALTHOUGH SMALL, THERE ARE LEFTIST ELEMENTS THROUGHOUT THE DESERT KINGDOMS OF THE GULF WHOSE FORTUNES GO UP AND DOWN, DEPENDING ON THE DEGREE OF SUPPORT THEY RECEIVE FROM OUTSIDE AND THE ASTUTENESS OF THE LOCAL SHEIKS' POLICIES.

IRAQ AND SOUTH YEMEN DENOUNCE THE TRADITIONAL HYPOTHESES IN THE GULF, AND THEY ALSO FURNISH SUPPORT TO DISSIDENT GROUPS, NOT TO MENTION SUPPORT COMING FROM MOSCOW'S OTHER COMMUNIST COUNTRIES

JUST AS IMPORTANT ARE FUNDAMENTAL SOCIAL PRESSURES. THE ARAB EMIRATES, KUWAIT, BAHRAIN, AND QATAR (AND I WITNESSED THIS LAST YEAR) HAVE IN RECENT YEARS ENCOURAGED THE INFLUX OF A GREAT NUMBER OF IMMIGRANTS FROM OTHER ARAB COUNTRIES AND

NON-ARAB COUNTRIES IN THE AREA. THIS TYPE OF IMMIGRANT HAS VARIED FROM SKILLED TECHNICIANS, PROFESSIONAL PERSONS TO UNSKILLED LABORERS WHO PERFORM WORK BENEATH BEDOUIN DIGNITY. THE IMPORTANT POINT IS THAT HERE'S A WHOLE BODY OF IMMIGRANTS IN THE GULF WHO HAVE ADOPTED THEIR NEW NATION BUT FULL RIGHTS AND PRIVILEGES HAVE BEEN ESSENTIALLY WITHHELD FROM THIS GROUP, AND HAS PRODUCED A LARGE GROUP OF SECOND-CLASS CITIZENS WHOSE CONTINUED INABILITY TO ACHIEVE PARITY WITH GULF NATIVES AND TO PARTICIPATE IN THE POLITICAL PROCESS, COULD ULTIMATELY LEAD TO INTERNALLY-GENERATED SUBVERSION WITH POTENTIAL FOR DISSENTION AND EVEN THE OVERTHROW OF THE TRADITIONAL GOVERNMENTS.

AT A HIGHER LEVEL THERE ARE IRRIDENTIST CLAIMS AND TERRITORIAL AMBITIONS WHICH ARE ALWAYS WORRISOME, PARTICULARLY WHERE THE BOUNDARIES OF KUWAIT, IRAQ AND IRAN INTERSECT. THESE VARIOUS DISPUTES HAVE A LONG HISTORY AND COMBINED WITH THE TREMENDOUS OIL DEPOSITS LOCATED IN THE AREA HAVE SERVED TO PROLONG TRADITIONAL ENMITIES AND KEEP THE LOCAL POT SIMMERING.

DISSIDENCE IN IRAN MUST ALSO BE CONSIDERED. THERE IS A GREAT DEAL OF DISSATISFACTION AMONG SOME IRANIANS BUT THIS HAS NOT BEEN TRANSLATED INTO A SERIOUS THREAT TO THE REGIME. MILITANT MOVEMENTS ARE DIVIDED AND THE SHAH'S SECURITY MECHANISMS ARE EXTREMELY EFFECTIVE. IT MAY NOT ALWAYS BE THAT WAY. GIVEN THE OIL PICTURE I'VE DESCRIBED, GIVEN THE

AUTOCRATIC NATURE OF THE GOVERNMENT, OPPOSITION WILL VERY PROBABLY REMAIN IF NOT INCREASE. OF GREATER SIGNIFICANCE IS THE QUESTION OF SUCCESSION. THE SHAH'S DEATH COULD VERY WELL THROW IRAN INTO DISARRAY, WITH ALL THAT IMPLIES, AND PRESENT AN ATTRACTIVE OPPORTUNITY, NOT ONLY FOR LOCAL REVOLUTIONARIES, BUT IRAQ AND MAYBE EVEN MOSCOW.

THIS, OF COURSE, LEADS TO THE QUESTION OF REGIONAL WAR. PRESENTLY THE LOCAL BALANCE OF POWER IS RELATIVELY STABLE. IRAN APPARENTLY HAS NO CURRENT AMBITIONS ACROSS THE GULF AND THE SHAH IS LOOKING NORTHWARD AND WESTWARD. AND IT IS THERE THAT THE POSSIBILITIES OF SERIOUS TROUBLE ARE NEVER FAR BELOW THE SURFACE. KUWAIT'S WEALTH, IRAQ'S RADICAL SOCIAL PHILOSOPHY, SAUDI ARABIA'S PHOBIA WITH RADICAL GOVERNMENTS, AND IRAN'S HISTORICAL DISTRUST OF IRAQ - THIS IS A RATHER DANGEROUS MELANGE IN A CROWDED AND IMPORTANT AREA. IN ESSENCE, THE PROSPECTS OF THE FUTURE AND COMING DECADE, WHICH I FEEL ARE SO CRITICAL, FOR AGITATION AND INSTABILITY AND LOCAL DISRUPTION ARE ALIVE AND WELL. AND, IF ALLOWED TO GET OUT OF HAND, PARTICULARLY IN THE UPPER GULF, COULD SPARK A BONAFIDE REGIONAL CONFLICT. MOREOVER, AS THE OIL SITUATION TIGHTENS, THESE PRESSURES COULD VERY WELL INTENSIFY. MORE DISTURBING, DISSIDENCE, INSTABILITY OR REGIONAL WAR COULD WELL ATTRACT EXTERNAL INTERFERENCE WHICH MIGHT VERY WELL ESCALATE THE SCOPE OF THE VIOLENCE AND IN TURN DENY VAST RESOURCES TO THE WORLD FREE ECONOMY. THEREFORE, IT'S IMPORTANT TO LOOK AT THIS PROSPECT. TIME, OF COURSE, DOES NOT PERMIT ME TO DISCUSS

ALL THE POSSIBILITIES. BUT AMONG THE OUTSIDE POWERS, NO COUNTRY HAS MORE TO GAIN OR IS MORE CAPABLE OF INTERFERING, IN THE REGION, THAN THE SOVIET UNION. THE USSR HAS A LONG HISTORY OF AMBITION AND INTERVENTIONS IN THE PERSIAN GULF, DATING BACK TO THE 19TH CENTURY. FIRST GREAT BRITAIN AND THEN THE UNITED STATES IN THE MIDDLE 40s HAVE FRUSTRATED THESE DESIGNS. A GREAT DEAL HAS CHANGED SINCE 1946, HOWEVER, NOT ONLY HAS RUSSIA'S CAPABILITY TO INTERVENE IN THE PERSIAN GULF INCREASED SHARPLY, BUT THE OIL PICTURE WHICH I HAD PREVIOUSLY SKETCHED WILL LIKewise AFFECT MOSCOW'S CALCULATIONS AND TEMPTATIONS.

ALONE AMONG THE INDUSTRIAL COUNTRIES, THE USSR IS BASICALLY SELF-SUFFICIENT IN ALL FORMS OF ENERGY, INCLUDING FOSSIL FUELS. HOWEVER, SOVIET ASIA CONTAINS NINE-TENTHS OF THE COUNTRY'S POTENTIAL ENERGY RESERVES, WHILE EUROPEAN RUSSIA STILL CONTAINS THREE-FOURTHS OF THE SOVIET POPULATION AND INDUSTRY. AS EUROPEAN RESERVES ARE DEPLETED, MOSCOW WILL HAVE TO MAKE HUGE OUTLAYS FOR THE DEVELOPMENT, PRODUCTION, AND DISTRIBUTION OF FOSSIL FUELS FROM THE FAR EAST IN ORDER TO REMAIN SELF-SUFFICIENT WHERE IT COUNTS MOST - THE INDUSTRIAL HEARTLAND OF RUSSIA.

GIVEN CURRENT LAGS IN INDUSTRY AND AGRICULTURE, MOSCOW HAS BEEN FINANCING ITS ENERGY DEFICIT IN EUROPE WITH MASSIVE BORROWING FROM THE WEST, MUCH OF IT IN THE FORM OF TECHNOLOGY TO DEVELOP RESOURCES IN THE FAR EAST. IT IS NOT CERTAIN HOW

LONG THIS EXCHANGE OF CURRENT TECHNOLOGY FOR POTENTIAL ENERGY SUPPLIES WILL CONTINUE, SINCE THE SOVIET UNION AND ITS FRIENDS IN EUROPE OWED, AT THE END OF 1975, ABOUT \$46 BILLION TO OUTSIDERS, INCLUDING \$28 BILLION TO FOREIGN COMMERCIAL BANKS.

WITHIN THE NEXT DECADE, MOSCOW MAY WELL CONCLUDE THAT IT WOULD BE FAR LESS EXPENSIVE AND THEREFORE FAR LESS DETRIMENTAL TO INDUSTRIAL PRODUCTIVITY TO MEET THE LONG-TERM DEMANDS OF COMMUNIST EUROPE FROM THE MIDDLE EAST. ONE THING IS CRYSTAL CLEAR. SOVIET CONTROL OF THE PERSIAN GULF OIL FIELDS WOULD GIVE THEM ENORMOUS POWER IN THE WORLD ECONOMY, AND AT THE SAME TIME, ENABLE THEM TO MEET THEIR OWN ENERGY REQUIREMENTS FAR MORE EFFICIENTLY THAN THEY CAN FROM THE FAR EAST. AND IT IS IMPORTANT TO NOTE THAT HISTORICALLY, THE SOVIET UNION HAS REFUSED TO RELY ON ANY OUTSIDE POWER WHERE ITS VITAL INTERESTS ARE CONCERNED. THEIR OWN ENERGY REQUIREMENTS, HOWEVER, ARE BY NO MEANS THE ONLY INCENTIVE WHICH MAY TURN THE SOVIETS SOUTHWARD. AS WE HAVE ALREADY SEEN, BY 1985 THE AREA WILL BE OF PIVOTAL IMPORTANCE TO THE UNITED STATES, EUROPE AND JAPAN. WHAT BETTER WAY FOR MOSCOW TO DEAL A BLOW TO THE DEMOCRACIES OR DEVELOP THE LONG-SOUGHT-AFTER LEVERAGE OVER THE UNITED STATES. INDEED, IT MAY ULTIMATELY BE THE PERSIAN GULF AND NOT THE CENTRAL FRONT IN EUROPE THAT MAY ULTIMATELY PROVE TO BE THE ACHILLES HEEL OF NATO.

ONE OTHER POINT SHOULD BE MENTIONED. ONCE WORLDWIDE PETROLEUM CONSUMPTION OUTSTRIPS PRODUCTION, THE FIRST TO

SUFFER WILL BE THE UNDER- AND LESSER DEVELOPED NATIONS OF THE WORLD WHO WILL NOT BE AS ABLE TO COMPETE FOR SCARCE OIL AND WILL SEE MANY OF THEIR HIGHLY DEVELOPED EXPECTATIONS FLOUNDER IF THE OIL CRISIS ACTUALLY DEVELOPS IN THE WAY I'VE DESCRIBED. PICTURE THE IDEOLOGICAL GAINS THE SOVIET UNION COULD MAKE BY TAKING OVER THE MIDDLE EAST OIL FIELDS AND ENSURING THAT THE THIRD WORLD WAS SUPPLIED AT A REASONABLE PRICE. NOT ONLY WOULD THIS VASTLY INCREASE MOSCOW'S INFLUENCE BUT ATTENUATE THIRD WORLD OPPOSITION TO ANY SOVIET MOVE INTO THE AREA.

ALL OF THESE FACTORS COMBINED COULD VERY WELL PUSH THE SOVIET UNION INTO THE GULF AS THE PETROLEUM SITUATION TIGHTENS. BEAR IN MIND I'M TALKING ABOUT A COMING DECADE, A DIFFERENT PROBLEM THAT WE'RE GOING TO BE FACING - A MORE SERIOUS PROBLEM. AND I'VE DERIVED VERY LITTLE COMFORT FROM THE FACT THAT WE SEE FEW GESTURES OR OVERTURES DIRECTLY FROM THE SOVIET UNION TODAY.

A FRIEND OF MINE IN THE STATE DEPARTMENT TOLD ME LAST WEEK A VERY INTERESTING STORY. HE WAS TALKING ABOUT THE HORN OF AFRICA AND TOLD THE STORY TO CHARACTERIZE HIS DESCRIPTION OF THE KIND OF PROBLEM THAT HE FACED WITH THE SOVIET UNION EVERY DAY. HE SAID THAT A U.S. DELEGATION WAS VISITING MOSCOW TO CONDUCT SOME BUSINESS AND THAT ON THEIR DAY OFF THEY'D BEEN OFFERED A TOUR OF THE MOSCOW ZOO. AND AS THEY WERE WALKING AROUND THE ZOO THEY SUDDENLY CAME UPON A RATHER REMARKABLE TABLEAU. IN ONE CASE WAS A LARGE SIBERIAN BEAR AND ALONGSIDE OF HIM WAS A VERY PLACID WHITE LAMB. THE

TOURIST GUIDE COULD NOT OVERLOOK THIS GREAT TEMPTATION FOR POLITICAL ANALOGY AND ANNOUNCED THAT'S THE WAY THE WEST AND THE EAST SHOULD GET ALONG; IT WAS POSSIBLE, LOOK AT THIS CAGE - IT WAS DOING SO RIGHT HERE BEFORE THEIR VERY EYES. AS THE GROUP WALKED ON, ONE AMERICAN STOOD THERE - HE WAS PUZZLED BY WHAT HE WAS SEEING - AND HE WAS APPROACHED BY AN ELDERLY AND GNARLED MAN WHO OBVIOUSLY WAS THE ZOOKEEPER FOR MANY YEARS. HE SAID, "COMRADE, DO NOT BE SO PUZZLED, WE PUT A NEW LAMB IN THE CAGE EVERY DAY."

THE SOVIET CAPABILITY TO INTERVENE IN THE AREA IS RATHER IMPRESSIVE. THEY HAVE A GREAT MANY ARMY DIVISIONS DEPLOYED ON THE NORTHERN BORDER OF IRAN. THEY ARE STATIONED IN THE CAUCASUS AND TURKISTAN MILITARY DISTRICTS. THE LINES OF COMMUNICATION FROM MOSCOW TO BAKU ARE WELL DEVELOPED, AND NOT MUCH LONGER THAN THOSE LINES TO THE NATO CENTRAL FRONT. FROM THE CAUCASUS THE SOVIETS CAN REINFORCE UNITS ALONG THE ENTIRE IRANIAN BORDER USING EITHER THE TRANS-CAUCASUS RAILWAY OR THEIR MILITARY TRANSPORT OF SEVERAL HUNDRED AIRCRAFT.

SOVIET AIR THREAT ON THAT BORDER IS EQUALLY IMPRESSIVE. TODAY THE KREMLIN'S PRESENT DRIVE IS CONCENTRATED ON ITS ADVANCED TACTICAL AIRCRAFT OFFENSIVE CAPABILITY. TWO OF THEIR TACTICAL AIR ARMIES ARE BASED IN THE SOUTHERN DISTRICT OF THE USSR. IN ESSENCE, MOSCOW HAS THE CAPABILITY TO PLACE THE PERSIAN GULF, AS WELL AS NATO, UNDER THE THREAT OF DEEP-RANGING AIR STRIKES. LIKEWISE, INDIAN FORCES CAN BE BROUGHT

TO BEAR FROM THE INDIAN OCEAN. THE CAPABILITIES OF THE SOVIET NAVY HAVE BEEN DISCUSSED AT SOME LENGTH DURING THE PAST DAYS, SO I WON'T DWELL ON THEM.

THE POINT IS THE FORM OF SOVIET INTERVENTION COULD RANGE THE ENTIRE CONTINUUM. FOR INSTANCE: AIR RAIDS IN CONJUNCTION WITH ATTACKS ON THE CENTRAL REGION OF NATO, CAPTURE OF THE PERSIAN GULF OIL FIELDS, PREFERABLY INTACT, USING AIR AND GROUND FORCES FROM THE NORTH AND NAVAL FORCES FROM THE INDIAN OCEAN, A LIMITED OPERATION IN COOPERATION WITH IRAQ, AN INTERVENTION TO CONTROL ORDER IN IRAN OR A MOVE FROM THE FLANK. EVEN TODAY WE ARE WITNESSING SOVIET AND CUBAN INTERVENTION IN THE HORN OF AFRICA AND ETHIOPIA, WHICH HAS GIVEN MOSCOW A FOOTHOLD, COMBINED WITH A RECENTLY ENHANCED SOVIET POSITION IN SOUTH YEMEN. IN SUMMARY THE FUTURE INCENTIVES FOR SOVIET INTERVENTION IN THE GULF PROMISE TO INCREASE DRAMATICALLY. MORE DISTURBINGLY, THESE BENEFITS ULTIMATELY MAY BECOME SUFFICIENT TO OUTWEIGH THE RISKS AND TO CONVINCE THE COMMUNIST LEADERSHIP AT SOME FUTURE DATE THAT DIRECT MILITARY ACTION WOULD BE WARRANTED. IT WOULD BE THE HEIGHT OF FOLLY FOR THE FREE WORLD TO IGNORE OR TO DISCOUNT THIS POSSIBILITY.

LET ME TURN BRIEFLY TO THESE ELEMENTS OF THE UNITED STATES POSTURE IN THE PERSIAN GULF. THE STARTING POINT IS A CLEAR RECOGNITION THAT ENERGY POLICY IS INTEGRAL TO SECURITY POLICY AND CANNOT BE CONSIDERED IN ISOLATION.

AS I HAVE PREVIOUSLY INDICATED, ANY INTERRUPTION OF PETROLEUM IMPORTS FROM THE PERSIAN GULF WOULD HAVE A DRAMATIC IMPACT ON THE UNITED STATES ECONOMY, NOT TO MENTION THE REST OF THE FREE WORLD. CONSEQUENTLY, ACCESS TO ENERGY HAS BECOME A DOMESTIC AND INTERNATIONAL ISSUE OF OVERRIDING IMPORTANCE. AS A RECENT REPORT BY THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES POINTED OUT, "THERE IS NO SUBSTITUTE FOR THE U.S. PRESENCE IN MIDDLE EAST OIL." NOW TODAY, THIS PRESENCE IS MANIFESTED IN A NUMBER OF WAYS.

IN SAUDI-ARABIA, U.S. COMPANIES BOTH IN OIL AND OTHER FIELDS, ARE HEAVILY INVOLVED. MANY ARE ASSISTING TO DIVERSIFY THE ECONOMY AND GRADUALLY REDUCE ITS OVERWHELMING DEPENDENCY ON OIL INCOME. AND IT IS ESTIMATED THAT THE UNITED STATES HAS FROM 80 TO 90 PERCENT OF THE SAUDI MARKET FOR MILITARY GOODS AND SERVICES. ALL TOLD, THERE ARE 30,000 AMERICANS EMPLOYED IN THE KINGDOM. THE END RESULT HAS BEEN TO CREATE A SPECIALLY CLOSE BOND BETWEEN WASHINGTON AND RIYADH. THE AMERICAN RELATIONSHIP WITH IRAN IS EQUALLY SPECIAL. AGAIN, U.S. COMPANIES, WITH WASHINGTON ENCOURAGEMENT, ARE HEAVILY INVOLVED IN THE IRANIAN ECONOMY AND THE UNITED STATES GOVERNMENT PROVIDES A WIDE SPECTRUM OF ASSISTANCE AND ADVISORY SERVICES. IT IS IN THE MILITARY SPHERE, HOWEVER, THAT IRANIAN-AMERICAN MILITARY RELATIONS ARE PARTICULARLY CLOSE. AND IN THIS CONTEXT IRAN FINDS ITS

ASSURANCES NOT ONLY IN CENTO BUT ALSO ON ITS 1959 BILATERAL AGREEMENT WITH THE UNITED STATES. IN RECENT YEARS IRAN'S PURCHASE OF SOME OF THE MOST ADVANCED U.S. WEAPON SYSTEMS HAS HAD THE EFFECT OF INCREASING ITS DEPENDENCE UPON THE UNITED STATES WITH RESPECT TO TRAINING, MAINTENANCE AND SPAREPARTS. NO MATTER HOW WASHINGTON INTERPRETS ALL OF THESE ACTIONS, TO TEHRAN IT MEANS THAT THE UNITED STATES HAS A VITAL INTEREST IN THEIR FREEDOM IN COUNTERING SOVIET EXPANSION IN THE PERSIAN GULF, AND THEY CONCLUDE THAT THE UNITED STATES WILL COME TO IRAN'S DEFENSE, IF AND WHEN NECESSARY.

LOOKING AT THE PERSIAN GULF AS A WHOLE, THE U.S. COMMITMENT TO STABILITY IS GIVEN MILITARY SUBSTANCE BY SOME RATHER MODEST MEASURES. THE MIDDLE EAST FORCE WHICH HAS BEEN OPERATING IN THE AREA SINCE 1949, THE DEVELOPMENT OF DIEGO GARCIA AS A LIMITED LOGISTIC SUPPORT BASE, AND PERIODIC DEPLOYMENTS OF THE SEVENTH FLEET INTO THE INDIAN OCEAN. I MIGHT POINT OUT THAT DIEGO GARCIA IS OVER 2000 MILES FROM IRAN. THE SEVENTH FLEET PRESENCE IS OF RELATIVELY RECENT ORIGIN, BEGINNING WITH THE DEPLOYMENT OF A CARRIER TASK GROUP INTO THE INDIAN OCEAN IN 1964.

NOW AGAINST THIS BACKGROUND IT IS FAIR TO SAY THAT THE U.S. FOREIGN POLICY HAS ACHIEVED A GREAT DEAL. WASHINGTON HAS PROTECTED ITS ACCESS TO MIDDLE EAST OIL AND IN THE PROCESS ITS CLOSE ECONOMIC RELATIONS WITH WESTERN EUROPE AND

JAPAN. THE "SPECIAL RELATIONSHIPS" WITH SAUDI-ARABIA AND IRAN HAVE SERVED TO ENCOURAGE MODERATE ECONOMIC POLICIES BY THESE GIANTS OF THE PETROLEUM PRODUCING STATES. THE SECURITY ASSISTANCE PROGRAMS HAVE HAD THE EFFECT OF MAKING BOTH STATES MORE SELF-RELIANT AGAINST LOW-LEVEL THREATS. THESE STEPS COMBINED WITH THE UNITED STATES MILITARY GESTURES IN THE AREA HAVE DEFINITELY BUTTRESSED LOCAL STABILITY.

UNFORTUNATELY, THE NEED TO DETER FUTURE INSTABILITIES OR SOVIET AGGRESSION IN THE PERSIAN GULF HAS NOT RECEIVED ALL THE ATTENTION IT REQUIRES IN ALLIED AND U.S. FORCE PLANNING. NATO ALLIES AND JAPAN ARE EVEN MORE DEPENDENT THAN THE UNITED STATES UPON PERSIAN GULF OIL, BUT HAVE NONE OF THE MILITARY CAPABILITIES TO COUNTER SOVIET PRESSURE OF THE TYPE EXERTED AGAINST IRAN IMMEDIATELY FOLLOWING WORLD WAR II. NATO HAS DELIBERATELY SOUGHT TO MAINTAIN A DEFENSIVE POSTURE VIS-A-VIS THE WARSAW PACT AND JAPAN HAS SCRUPULOUSLY AVOIDED REARMAMENT ON A LARGE SCALE. THUS, THE USSR CAN INTERVENE IN THE MIDDLE EAST WITH MINIMAL PRESSURE ON ITS TERRITORY TO THE EAST AND WEST. EXCEPT FOR FRANCE, EUROPE HAS SCRAPPED ALL OF ITS NAVAL POWER PROJECTION FORCES AND JAPAN IS INCAPABLE OF CONTROLLING SEA LINES OF COMMUNICATION MUCH BEYOND THE SOUTHERN RYUKYUS.

FOR ITS PART, THE UNITED STATES RECOGNIZES THE IMPORTANCE OF THE PERSIAN GULF, BUT HAS NOT YET DEVELOPED A COMPREHENSIVE PLAN TO DEAL WITH THE SOVIET THREAT.

IN PART, THIS STEMS FROM THE FACT THAT THE PERSIAN GULF IS SUFFICIENTLY DISTANT FROM THE UNITED STATES TO MAKE EXACTING DEMANDS ON OUR CAPABILITIES, ESPECIALLY IF THE SOVIET UNION BECOMES MILITARILY INVOLVED. CONSEQUENTLY, VIEWS DIFFER ON HOW TO EFFECTIVELY REINFORCE OUR POSITION IN THAT REGION. THE DEPARTMENT OF DEFENSE CURRENTLY BELIEVES THAT THE SEVERAL ARMY DIVISIONS, MARINE AMPHIBIOUS FORCES, AND AIR WINGS THAT WOULD NOT BE IMMEDIATELY REQUIRED FOR THE MUTUAL DEFENSE OF NATO SHOULD BE ADEQUATE FOR THIS PURPOSE. OTHERS HAVE NOTED THAT THIS MAY BE EASIER TO STATE THAN TO ACCOMPLISH BECAUSE OF PROBLEMS RELATED TO AIR OVERFLIGHT STIPULATIONS, THE RANGE OF CURRENT AND PROJECTED AIRCRAFT IF THEY USE CIRCUITOUS ROUTES AND AERIAL TANKER REQUIREMENTS.

EVEN IF OVERFLIGHT AND STAGING PROBLEMS CAN BE OVERCOME, THE SUPPORT OF U.S. COMBAT FORCES IN THE PERSIAN GULF AREA WOULD BE FAR MORE DIFFICULT THAN A SIMILAR EFFORT IN WESTERN EUROPE OR NORTHEAST ASIA. NONE OF THE PERSIAN GULF STATES HAVE THE INDUSTRIAL BASE OR SKILLED LABOR FORCE REQUIRED TO PRODUCE AND REPAIR MAJOR WEAPON SYSTEMS; MILITARY FACILITIES NOW UNDER CONSTRUCTION ARE DESIGNED TO SUPPORT ONLY A MODEST FORCE STRUCTURE; AND THE ENTIRE AREA IS HIGHLY VULNERABLE TO AIR ATTACK. MOVING FROM THIS POSTURE OF SEMI-DEVELOPMENT TOWARD FULL PREPAREDNESS TO REPEL A SOVIET ATTACK WOULD REQUIRE A MASSIVE LOGISTIC SUPPORT OPERATION OVER A CONSIDERABLE PERIOD OF TIME. THUS, THE CRITICAL PROBLEM IN ANY

PERSIAN GULF CRISIS WILL BE HOW TO ENSURE THAT THE SOVIETS (OR ONE OF THEIR CLIENT STATES) DO NOT GAIN AN IRREVERSIBLE MILITARY ADVANTAGE BEFORE THE U.S. REINFORCEMENT AND RE-SUPPLY EFFORT BEGINS TO PAY OFF.

NOW I FULLY APPRECIATE THAT I'VE PRESENTED YOU WITH A RATHER LARGE PLATTER OF PROBLEMS---THE VITAL IMPORTANCE OF PERSIAN GULF OIL, BOTH TODAY AND MORE SO IN THE FUTURE, THE POTENTIAL FOR LOCAL INSTABILITIES AND OUTSIDE INTERVENTIONS, THE EASE WITH WHICH THE SOVIET UNION COULD EXTEND ITS REACH INTO THE AREA AND THE PROBLEMS OF PROJECTING U.S. POWER IN A CRISIS. ALL OF THIS HAS COME TO FOCUS IN ONLY THE LAST FEW YEARS - A STRIKING EXAMPLE OF THE DYNAMIC STRATEGIC ENVIRONMENT IN WHICH WE LIVE.

NOW IN CLOSING LET ME JUST SAY A WORD ABOUT THE UTILITY OF NAVAL FORCES IN THIS SITUATION.

SECRETARY WOOLSEY EMPHASIZED THAT NAVAL FORCES ARE MOST RELEVANT IN A DYNAMIC ENVIRONMENT, WHERE PEACE THREATENS TO EVOLVE INTO WAR. CERTAINLY, THIS CHARACTERIZES THE PERSIAN GULF WHERE THE POTENTIAL FOR DISRUPTION IS HIGH AND COULD EASILY THREATEN TO ESCALATE AND CONCERNS OUR VITAL INTERESTS. THE MAINTENANCE OF STABILITY AND THE ABILITY TO MANAGE CRISES SUCCESSFULLY SHOULD BE A FUNDAMENTAL GOAL OF THE UNITED STATES IN THE AREA, BECAUSE OUR SUCCESS OR FAILURE IN THIS UNDERTAKING MAY WELL DIMINISH OR ENHANCE THE PROSPECTS OF A MORE SERIOUS CATASTROPHE.

THE PERSIAN GULF IS THOUSANDS OF MILES FROM THE UNITED STATES. EVERY COUNTRY IN THE AREA IS ACCESSIBLE FROM SEA. THERE ARE ANY NUMBER OF POSSIBLE SCENARIOS; HOW OR WHERE TROUBLE WILL OCCUR IS IMPOSSIBLE TO PREDICT. LOCAL SENSITIVITIES DICTATE THAT WE NOT PUT A PERMANENT PRESENCE ASHORE, THAT THE VISIBILITY OF OUR FORCES BE CAREFULLY CONTROLLED IF WE'RE GOING TO HELP, AND THAT WE BE PREPARED TO ASSIST, NOT REPLACE, THE FORCES OF OUR ALLIES WHEN AND WHERE HELP IS NEEDED. YOU'VE HEARD A LOT OF RHETORIC NOW IN THE LAST FEW DAYS THAT THESE ARE THE KINDS OF THINGS THAT THE NAVAL FORCES ARE SUITED TO DO. AND HERE IS A SPECIFIC AREA WHERE WE HAVE IMPORTANT INTERESTS WHERE OUR NAVAL FORCES CAN CONTRIBUTE. IN OTHER WORDS, GIVE WASHINGTON A SERIES OF OPTIONS IN BOTH THE MILITARY AND DIPLOMATIC AREA. WHEN TROUBLE HAS SUBSIDED, THEY CAN QUICKLY WITHDRAW THE SITE, AND IF NECESSARY, BE USED ELSEWHERE TO MEET OTHER CRISES. YOU KNOW WE HAVE MANY CARRIERS STILL WITH US TODAY FROM VIETNAM. WE DON'T HAVE THE USE OF A SINGLE AIRFORCE BASE OR - BUT SINGLE LAND BASED AIRBASE THAT WE BUILT IN VIETNAM. IN ESSENCE, THE CONTINGENT CAPABILITY TO COUNTER SOVIET CONTINENTAL AND NAVAL FORCES WITH A STRONG US NAVAL PRESENCE IN THE WESTERN INDIAN OCEAN SHOULD BE AN ESSENTIAL ELEMENT OF THE OVERALL MILITARY BALANCE AND A U.S. POLICY WHICH BOLSTERS THE SECURITY OF SAUDI-ARABIA AND IRAN. IN THE FINAL ANALYSIS, AMERICANS MUST UNDERSTAND THAT THEIR NATION HAS IMPORTANT INTERESTS IN THE AREA, AN INTEREST WHICH THREATENS AND PROMISES TO BECOME VITAL.

IT IS NOT ANOTHER VIETNAM AND THE TIMIDITY ENGENDERED BY THE GREY AREAS AND AMBIGUOUS CIRCUMSTANCES OF THAT INTERVENTION ARE INAPPROPRIATE WHEN ASSESSING THE GULF REGION. IT IS A PART OF THE WORLD WHERE THE UNITED STATES AND ITS ALLIES CANNOT AFFORD TO LIVE WITH A LARGE DEGREE OF UNCERTAINTY AND IN TURN, THIS CONCLUSION, IN MY VIEW, ARGUES FOR A STRONG, MODERN, AND MULTIMISSION NAVY.

IN THE COURSE OF MY WORK, I SPEAK TO A LOT OF AUDIENCES - SOME HOSTILE - ENGAGED IN A LOT OF DIALOGUE WITH MY CIVILIAN COUNTERPARTS IN THE DEFENSE DEPARTMENT AND THE OTHER SERVICES, MANY OF WHOM DO NOT ACCEPT MY ARGUMENTS FOR THE NAVY, AND I OFTEN TELL THEM THIS STORY. I WAS IN NEW YORK A FEW WEEKS AGO IN A TAXICAB AND I ASKED THE CAB DRIVER WHO HE WAS GOING TO VOTE FOR IN THE NEXT ELECTION. AND HE SAID, "WELL, I VOTE FOR PARTY X - MY GRANDFATHER VOTED FOR PARTY X, MY DADDY VOTED FOR PARTY X, AND I'VE ALWAYS VOTED FOR PARTY X." AND I SAID "ARE YOU GOING TO VOTE FOR PARTY X THIS TIME?" HE SORT OF HESITATED AND SAID, "NO, I THINK I'LL VOTE FOR PARTY Y." THERE COMES A TIME IN EVERY MAN'S LIFE WHEN HE'S GOT TO IGNORE HIS PRINCIPLES TO DO THE RIGHT THING. SO WHATEVER YOUR PRINCIPLES, WE THINK SUPPORTING THE NAVY IS THE RIGHT THING. THANK YOU VERY MUCH.