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by JACK ANDERSON

WASHINGTON — The story can now be told how the Pentagon falsified intelligence reports in 1967 and, as a result, was caught unprepared for the Tet offensive in February, 1968. It was a Watergate-size scandal which, until now, the military has hidden from the public. We have been able to dig out the details, however, from sources who have access to the secret documents.

In early 1967, the Joint Chiefs became persuaded that the war was ending. Their intelligence reports indicated that the Viet Cong had been hounded out of their hide-outs by American B-52s. This optimistic outlook was based largely on a secret memo prepared by Major General Daniel Graham, an intelligence officer. His famous memo, nicknamed the "Crossover Memo," reported that Communist losses had crossed over the gains. In other words, Communist strength was declining.

Graham's estimate was based on a total Communist strength of 275,000. The Central Intelligence Agency, however, came up with the shockingly higher figure of 600,000. But rather than admit a gross miscalculation, orders actually went out to underestimate enemy strength — in other words to falsify the figures.

This tampering with intelligence ultimately gave President Johnson a false picture. I remember a visit with LBJ in mid-1967. He told me Communist losses were so severe that the Viet Cong had been forced to conscript 15-year-olds from the villages. "The war," he said, "should be over in 1967."

Johnson was wrong because the Pentagon had misled him.

*Watergate Abroad:* The State Department has prepared a depressing summary

of the impact of Watergate on foreign affairs. From Europe to Asia, according to the secret summary, foreign leaders recognize that President Nixon's diplomatic hand has been weakened by Watergate.

Both our friends and foes abroad have already started maneuvering to take advantage of the President's poor bargaining position. European leaders, who seek a third devaluation of the dollar, are using Watergate as a bargaining tool. The recent decline of the dollar has come to be known in financial circles as the "Watergate flurry."

Even Spain's 81-year-old Generalissimo Franco, a personal friend of Nixon, has imposed sudden new restrictions on the use of American military bases. Among other things, the Spaniards are demanding information on the comings and goings of U.S. nuclear submarines. They have been emboldened, according to the diplomatic summary, by Watergate.

But above all else, the State Department is worried about the summit meeting this week between President Nixon and Soviet Chairman Leonid Brezhnev. The Kremlin leader is coming to Washington fully aware that he has been dealt a new ace, called Watergate, to play at the bargaining table.

Brezhnev may be willing to make the President look good, thus strengthening him politically in the wake of Watergate. But the State Department strategists are worried over what concessions Brezhnev will expect in return. They fear another sell-out like the Soviet wheat deal, which has come to be known as the great grain robbery.