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H.R. 16243

93d CONGRESS, SECOND SESSION

Fiscal Year 1975

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DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1975

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

NINETY-THIRD CONGRESS

SECOND SESSION

ON

H.R. 16243

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE FOR THE FISCAL YEAR ENDING JUNE 30, 1975, AND FOR OTHER PURPOSES

Printed for the use of the Committee on Appropriations

PART 5

Public Witness
Secretary of Defense
Mutual and Balanced Force Reduction Negotiations

U.S. GOVERNMENT PRINTING OFFICE
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Staff Assistants, Department of Defense Appropriations Subcommittee

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1975

THURSDAY, MAY 30, 1974

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:10 a.m. in room 1224, Everett McKinley Dirksen Office Building, Hon. John L. McClellan (chairman) presiding.

Present: Senators McClellan, Young, Case, and Symington.

DEPARTMENT OF DEFENSE

BUDGET PRIORITIES

STATEMENT OF PAUL C. WARNKE ON BEHALF OF THE PROJECT ON BUDGET PRIORITIES

COMMITTEE PROCEDURE

Chairman MCCLELLAN. The subcommittee will be in order.

This morning the subcommittee will receive testimony from Mr. Paul C. Warnke, who served as Assistant Secretary of Defense for International Security Affairs under Secretary McNamara.

Mr. Warnke, I understand, will present the views of the Project on Budget Priorities—I assume that is a committee.

Mr. WARNKE. Yes, it is, Senator.

Chairman MCCLELLAN. At the outset let us welcome you.

You came at our request. Some several days ago I read an article in the paper where you as the head of your organization had suggested that the military budget could be reduced some $14 billion or $15 billion as I recall and a report of the committee had been made to that effect.

It occurred to me as chairman of the Appropriations Committee and of the Defense Subcommittee that the recommendations from this committee of distinguished citizens—I have a list of them here—warranted examination and consideration by the Congress.

ECONOMY AND THE NATIONAL DEFENSE

I felt that it would be well to invite you to come to testify before the subcommittee, discuss the report, and place emphasis on those areas where you felt that cuts in the budget request of the Defense Depart-

ment could be made as a matter of economy and at the same time not unduly weaken the military strength that it is advisable for us to maintain in order to be prepared for eventualities and to present some deterrent to would be aggressors who might take advantage of a military weakness if we ever reverted to that status.

A word of personal concern. We have a strained economy in this country today, in my judgment. We have Federal obligations in excess of what is reasonable, taking into account the economy of today. How these governmental burdens can be reduced and where they should be reduced, in my judgment, is a continuing problem.

There are those who feel that all of the cuts made in the military appropriations should be expended for some other purpose. I want to see the military cut where it can be, but I am also apprehensive not only that we might ultimately spend ourselves into economic chaos, but that we may also become a second-rate military power at the risk of our destruction.

To find a proper balance between our capabilities and needs what are the proper priorities, what status of military posture we should maintain, what level would be the safe level of strength—all of these give me a great deal of concern.

I do not know all the answers. For that reason I support a strong military establishment, and I will continue to support a strong military establishment, because I believe the first priority of every individual and of our Government should be self-preservation.

In this world today there is a peril to national security, in my judgment, that presents a challenge that we have to be constantly alert to and must try to meet.

REDUCTIONS IN DEFENSE

Mr. Warnke, I am anxious to find any area where we can make cuts in the military. I am confident there are areas where we can. Last year this committee reduced the military request by more than $3 billion, as I recall. We have set that goal again to reduce the request by some $3 billion. That does not seem like a large amount. Still it is of some consequence. Actually, I am perfectly willing to go beyond $3 billion if I am convinced we can do it without impairing our strength to the degree that it would incur risks that ought not to be accepted.

I think most members of this subcommittee, the Appropriations Committee and the Congress share the views generally that I have expressed. There may be some who feel that national defense is something that we can almost forget about so that we can spend all of our money on social programs and so forth, but I don't agree with that. I do feel that there has to be a proper balance found between the social needs and what is imperative with respect to national security.

Senator YOUNG. I would like to add one point. I believe this defense budget can and must be cut. Just how much and where is a big question. Your views will be very helpful.

I note that you served as an Assistant Secretary of Defense under Secretary McNamara. As I recall, he placed most of the emphasis on nuclear power at the expense of conventional weapons.

We did become the greatest nuclear power in the world but we didn't do so well in the conventional area. For these reasons, I will be very much interested in your recommendations.

Chairman McCLELLAN. Senator Symington is with us from the Armed Services Committee, as an ex officio member of the Defense Subcommittee on Appropriations.

Senator Symington, do you have any comments?

Senator SYMINGTON. No comment, Mr. Chairman.

Thank you.

Chairman McCLELLAN. Mr. Warnke, do you have a prepared statement?

Mr. WARNKE. I do have a prepared statement. I thought with your permission, Mr. Chairman, I would not read it but submit it for the record and endeavor to highlight some of the points in it and some of the points in the report.

Chairman McCLELLAN. Very well. Let me suggest at this time that the report to Congress on military policy and budget priorities, fiscal 1975, be made exhibit A to your testimony so that it will be a part of the record.

Mr. WARNKE. Thank you, Mr. Chairman.

PREPARED STATEMENT

Chairman McCLELLAN. You may proceed now in your own way. Your statement, if you don't want to read it, will be printed in the record in full at this point.

[The statement follows:]

STATEMENT OF PAUL C. WARNKE

There can be no argument about our need for strong defense forces. These have been provided and must be maintained. But the level of financing for this fiscal year is certainly more than adequate to provide for our physical security and for our support of the alliances that are important to that security. An increase in constant dollars of almost 10% is not warranted for fiscal year 1975.

PRIORITIES AND INFLATION

Our true national security, moreover, involves elements other than military forces. The preservation of our free society requires that the legitimate aspirations of our people be met and that we maintain a level of education and a standard of living that will ensure domestic tranquility. A few days ago, Dr. Arthur Burns, Chairman of the Federal Reserve Board, noted his apprehensions about the ability of our society to survive if the current explosion of inflation should continue and should deprive those in our vital center of their share of comfort, well-being and financial security.

In the light of the current international environment and our pressing economic problems, our national security cannot, in my opinion, tolerate the proposed substantial increase in the defense budget.

1975 DEFENSE INCREASE REQUESTED

For the fact is that, despite attempted mathematical manipulations, the defense authorization requested for fiscal year 1975 represents a substantial real increase over the current defense budget. I believe that, instead, the Congress should adopt a "hold-the-line" approach and should require, in addition, an economy/efficiency dividend of at least a modest amount. The financial prudence thus required would prevent what appears to be the otherwise inexorable growth of our military expenditures, a growth that threatens to engross the lion's share of the actual budget authority controllable by Congress through the regular appropriation processes.

CONGRESSIONAL CONTROL OF FUNDING

For fiscal year 1975, the total amount of money actually controllable by Congress in the Federal budget is $141.8 billion. The rest of the Federal budget does

not consist of funds that may be assigned by Congress to the various Federal programs. Most of it consists instead of trust funds—money raised and earmarked specifically for such items as Social Security, highways and retirement programs. And of the total controllable money of $141.8 billion, the requested authority for the Department of Defense alone is over 60%.

As I see it, therefore, the "awesome" Federal spending which Dr. Burns calls a major cause of the inflationary storm can never be brought into check unless Congress decides to control and limit the greater part of those Federal expenditures which it can control, that is, our military budget.

The real increase now proposed is, in total disregard of these vital economic considerations, over 9%. If Congress accepts this, on the basis of unsubstantiated emotional cries for more weapons of war to ensure world peace, there is reason to fear that future defense budgets will continue to grow at this rate and exceed, in a few years, $140 billion.

What I am discussing here, it should be noted, are real increases which take into account the inflationary trends which our military budget does so much to foster. Thus, for example, in determining the real increase requested for fiscal 1975, I have adjusted Congressional appropriations for the current year to reflect pay and price increases. Taking the total military budget for 1974, including AEC military programs, Congress enacted a total of $85 billion. In constant dollars, a "hold-the-line" budget for fiscal 1975 would be about $90 billion. But the amount requested, again including Atomic Energy programs, is about $98 billion.

COMPARISON OF 1974 AND 1975 BUDGET

As I have suggested, the Administration presentation distorts the real comparison between the budget as passed by Congress for the present year and the request for the next fiscal year. Added retroactively to the 1974 total is an amount of $2.1 billion for new arms for fiscal 1975, described as a "readiness" supplement shown as necessary by the events of the October war in the Middle East. This amount is for new capability. It was never a part of the current defense budget, and, if accepted by Congress, it belongs only in the fiscal 1975 figure.

EMERGENCY AID TO ISRAEL

Also artificially inflating the current budget figure is the emergency aid to Israel in the amount of $2.2 billion. This is a non-recurring item unrelated to United States force structure. Valid comparison between defense budgets for fiscal 1974 and fiscal 1975 requires deletion of these funds, the greater share of which the White House has announced will be repaid by Israel.

REASONS FOR 1975 DEFENSE INCREASES

Various rationalizations have been advanced for increased defense appropriations for fiscal 1975. None of them seem to me persuasive. To protect ourselves against aggression, the present level of funding is certainly more than adequate to maintain and sensibly to modernize our immense military power. If from our present position of strength we cannot negotiate effectively in such areas as the limitation of nuclear arms and the reduction of forces in Europe, then the fault must lie in some other aspect of our bargaining policy. And, particularly in the light of the wise warning of Dr. Burns, efforts to stimulate the economy by the unproductive avenue of increased defense expenditures are destructive and disastrous.

Despite differences about the Middle East and other areas of the world and despite widely divergent perspectives on social values and economic policy, the United States and the Soviet Union have had to recognize the need to avoid military confrontation. The major purpose of our military forces is to neutralize Soviet military power and prevent any miscalculation about the advantages of its use to achieve political ends. In the circumstances of this military stand-off, true world influence will depend much more on relative success in providing a functioning and harmonious society than it will on any flexing of military muscle or efforts to gain a meaningless edge in some aspect of weaponry. With respect to negotiations, the development of new nuclear weapons, above and beyond the basic systems now in existence, can only further complicate the intensely troublesome problem of securing effective control. Some of the programs suggested are, moreover, of a nature to arouse fears of preemptive strikes and hence further to stimulate a strategic arms race.

REDUCTIONS RECOMMENDED BY COMMITTEE

The report prepared for the Project on Budget Priorities suggests a number of areas in which reductions may be made in the military budget proposed for fiscal 1975. The list is by no means exhaustive. But it serves to show the feasibility, without erosion in our military strength, of leveling off now the amount of our budgetary resources devoted to military manpower and hardware.

One of the areas where reductions can be made is through the reconsideration of overly complex and inordinately expensive weapons programs which provide only incremental additional capability, if any at all. Some of these programs, though they do not loom large in the budget now proposed, would require billions of dollars each year if they are allowed to continue. Some, such as the new technology for both tactical and strategic nuclear weapons, could actually decrease deterrence and lessen our security.

OVERSEAS FORCE REDUCTION

In the light of heavy manpower costs, moreover, it is essential that Congress scrutinize closely the need for the maintenance of some of our forces, particularly the approximately 500,000 now stationed overseas. It is difficult for me to see the purpose of keeping over 180,000 American military personnel still stationed in the Western Pacific and Asia.

There has been a good bit of backing and filling on the non-military rationale for an increase in the military budget for fiscal 1975. Administration spokesmen admit that the request would have been lower except for the desire to stimulate the economy, but there has been no clarification as to how much the budget has been inflated and where the added millions or billions have been injected. What is clear is that the budget request should be stripped down to its military essentials. The accumulation of military hardware for which no clear military need exists hardly sets a noble example of international morality. As a means of economic stimulation, moreover, it is conspicuously inefficient. Studies of the Bureau of Labor Statistics show that a billion dollars in defense spending yields about 5,000 less jobs than the same expenditure on health and almost 30,000 less jobs than would be created if the funds were shared with state and local governments for educational purposes.

CEILING ON MILITARY BUDGET RECOMMENDED

The study we have presented recommends that the Congress set a ceiling this year on the total military budget. The reduction from the amount authorized by Congress for the present fiscal year would be a very modest one. What is suggested is, actually, an increase in the absolute amount to reflect constant dollars, but a real decrease of about 3%. It is further suggested that Congress announce its present intention to take a similar approach for each year over a five-year period, adopting the fiscal 1974 military budget as a starting point, increasing it for the effects of inflation and requiring, each year, a cut for economy and efficiency. This would give the Defense Department some guidance in its own financial planning. It would also avoid precipitate cuts that might create waste or give an unwanted signal of decreased resolve to protect our national interests. Should the international climate worsen, the plan of course could be reconsidered and revised.

Some have suggested that it is unsound or risky to attempt to impose a ceiling on the defense budget. But I believe that its growth cannot be curtailed in any other fashion. The simple elimination of particular programs would mean that the money thus "saved" could in fact be diverted to other Pentagon uses.

As we all know, military budgeting like all other budgeting necessarily involves the establishment of a ceiling. Within the Pentagon, the Secretary of Defense must have in mind some total figure as the maximum that he can present. The Office of Management and Budget normally uses its authority to push the total down further in the light of over-all Federal budgetary requirements. The issue here, therefore, is whether Congress should blindly accept the ceiling figure presented to it or whether its own assessment of national priorities may be utilized in determining what percentage of our budgetary resources should be devoted to defense requests.

REASSESSMENT OF DEFENSE WORLD ROLE

Finally, I would like to note that the suggested level of military appropriations asumes no reasessment of the role of our military power in today's world. Instead, it assumes the continuation of the premises that have guided our force planning for at least the past decade. I would hope, however, that Congress might begin to consider a different approach, one that begins with an analysis of the foreign policy that should be followed by the United States and proceeds from there to a determination of the military forces that are necessary, or even useful, to implement this foreign policy. Much in our force planning today is the result of an absence of any relationship to our foreign policy. This is not, in my opinion, the fault of our military leaders. They need to be told, and have not been told, the circumstances under which the United States may use military force to achieve foreign policy objectives.

In my view, such circumstances should be rare indeed. We have, I believe, discovered that the use of our military power to affect political results in foreign countries is self-defeating and even calamitous. We should by now know that our direct military intervention in local or regional conflicts will only accelerate the fighting and risk a confrontation between the military superpowers. We should by now know that firepower is no substitute for a sound and realistic foreign policy.

CONTROL OF NUCLEAR PROLIFERATION

I am concerned also that much of our defense planning ignores the grim facts of the nuclear age. World War II will never be fought again. Major conflict between the U.S. and the U.S.S.R. would not involve an endurance test between conventional forces, at land or at sea. The fight would be brief, with the combatants drawing back in horror. Or it would be a bit longer, and fatal to both sides.

World security in the last quarter of this century will depend on the ability to control further nuclear proliferation, and to prevent the materials for atomic weapons falling into hands of terrorists, not on the maintenance of military forces to keep the peace.

We are, fortunately, not beset by international enemies. We enjoy friendly neighbors and safe borders. We have allies whose allegiance is based on mutual interest and political and cultural similarity, not on compulsion. We can, under these circumstances, afford to level off our defense expenditures. Indeed, our true national security demands that we do so.

A Report to Congress

Military Policy and Budget Priorities

FISCAL YEAR 1975

Presented by

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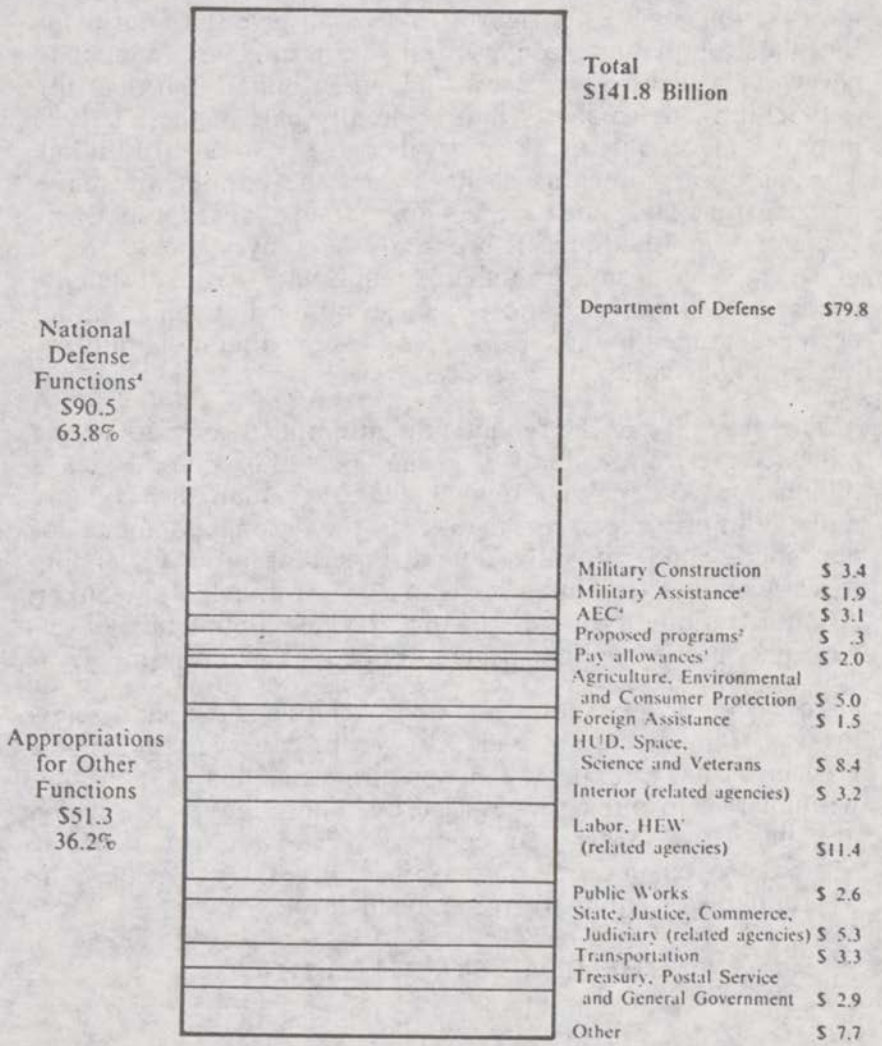
Summary of Feasible Reductions in FY 1975 Military Budget Authority

($ billions)

GENERAL PURPOSE FORCES		5.9
Asia committed forces	2.4	
Indian Ocean carrier	.1	
Reserves	.6	
Procurement	2.8	
MILITARY EFFICIENCY		4.0
Military support personnel	2.0	
Civilian bureaucracy	2.0	
STRATEGIC FORCES		2.5
Counterforce program	.3	
Trident submarine	1.4	
B-1 bomber	.5	
Strategic defense	.3	
SOUTHEAST ASIA MILITARY ASSISTANCE		1.4
MILITARY ASSISTANCE PROGRAM		1.1
TOTAL FEASIBLE REDUCTIONS		14.9

Money Bills in Congress

Distribution of the $141.8 billion in requested FY 1975 budget authority controllable by Congress through the regular appropriation process[1]



[1] Joint Committee on Reduction of Federal Expenditures, U.S. Congress, "1975 Budget Scorekeeping Report (Staff Report No. 1)" April 11, 1974, Table II, page 37. The remainder of the budget (55%) has been made available in mandatory, permanent and trust fund programs established in law and, therefore, is relatively uncontrollable by Congress.

[2] *Ibid.*, Table 6, page 21.

[3] Executive Office of the President, Office of Management and Budget, *The Budget of the United States Government FY 1975*, page 191.

[4] *Ibid.*, Table 13, page 303. (Defines national defense functions)

MILITARY POLICY AND BUDGET PRIORITIES

The Nixon Administration has proposed to Congress the largest peacetime military budget in our history. The Administration juggles its figures to seek to give the impression that the proposed increase over last year is only large enough to cover pay and price increases — about $5 billion. But the truth is that, if all the requests that are really part of the FY 1975 program are counted, the actual increase is about $13 billion. This proposal comes at a time when the Administration is freezing budgets and impounding funds appropriated by Congress for vital domestic programs. Moreover, the Secretary of Defense has admitted that his request for national defense needs would have been more than $6 billion lower had he not been encouraged to include funds in the hope that more military buying might stave off a recession.

The huge size of the request, the attempt to camouflage the real increase from last year and the open admission that extra billions for the Pentagon are included to stimulate the economy make it more necessary than ever that Congress looks independently and critically at the real need for military spending to serve our national interests — and at how much of the Nixon Administration's proposals involves waste, continuance of unwise past programs and unsound efforts at pump-priming.

In this report, we propose an approach to end the remorseless growth of the defense budget. Also outlined are certain feasible measures that can be taken and programs that can be cut without risk to our national security. These reductions, which are illustrative rather than comprehensive, would total nearly $15 billion, well in excess of the amount necessary to achieve the $11 billion in savings we recommend for FY 1975.

THE REAL FY 1975 BUDGET

Despite the end of direct U.S. combat in Southeast Asia and the much-advertised detente, the military budget* for FY 1975, accurately calculated, is significantly higher than that for FY 1974. As shown in the table, after pay and price increases are taken into account, the net increase (FY 1975 constant dollars)

amounts to $8.0 billion or 9.4 percent. This increase in real spending indicates that military functions are being expanded very substantially.

Military Budgets
(budget authority in billions of dollars)

FY 1974		FY 1975	
Enacted by Congress:[1]		Administration request:[1]	
Department of Defense	76.5	Department of Defense	91.0
Military assistance	4.2	Military assistance	1.9
AEC - military	2.4	AEC - military	3.1
Add supplementals:[3]		Add supplemental for "readiness"[3]	2.1
Pay increases	3.4		
Fuel price increases	.5		
Middle East payback	.2		
Delete (for comparison):			
Emergency aid to Israel[2]	-2.2		
Total FY 1974	85.0	Total FY 1975	98.1

Increase from FY 1974 to FY 1975	13.1 (15.4%)
Less pay and price increases (DoD estimate)	5.1[3]
Real increase from FY 1974 to FY 1975	8.0 (9.4%)

[1] Source: *Budget of the United States Government: Fiscal Year 1975*, Table 13, page 303.

[2] *Ibid.*, page 73.

[3] Office of the Assistant Secretary of Defense (Public Affairs), "FY 1975 Department of Defense Budget", News Release 43-74, Feb. 4, 1974.

These actual figures are distorted by the Administration's budget presentation. The Administration claims an increase in budget authority of only $6.6 billion or 7.4 percent, creating the illusion that this year's military budget, in Secretary Schlesinger's words, in real terms "means doing no more than holding our own as compared to 1974".

This illusion depends on two key budget manipulations:

- Last year's budget would be retroactively increased through a $2.1 billion "supplemental" to buy new capability. This kind of request — made at the same time as the FY 1975 budget — should properly be submitted as part of that budget.

- Aid of $2.2 billion for Israel — not a direct part of the defense costs for the U.S. — is counted in the FY 1974 figures to which the FY 1975 request is compared. The FY 1975 budget, as presented, does not include any comparable request for Israel. White House Deputy Press Secretary Warren, moreover, has announced that Israel will be expected to pay back $1.2 billion of this arms aid.

Despite the attempted distortion, the FY 1975 request is higher in absolute amount than any peacetime military budget in our history, higher indeed than any during the Vietnam War years. Even allowing for the reduced value of today's dollars, the contrast with other post-war budgets is striking. By 1948, the defense budget was less than 10% of its World War II high; after Korea, in two years defense spending fell to 45% of its 1952 peak.

The Administration has fostered the impression that the increased military request results largely from military pay and the cost of the volunteer force. But compared to FY 1974, other areas of the budget have been increased more. For example, procurement is up 23.4 percent ($5 billon), research, development, test and evaluation would get a 15.9 percent increase ($1.3 billion) and operation and maintenance would rise by 13.7 percent ($3.3 billion). By contrast, the costs for active duty military personnel have increased only 6.5 percent or $1.6 billion. If the volunteer force were terminated, no more than $750 million would be saved.

*For purposes of this analysis, the military budget includes funding for the Department of Defense, Military Assistance Program and military activities of the Atomic Energy Commission.

ECONOMICS AND THE MILITARY BUDGET

Secretary Schlesinger told the Mahon Defense Appropriations Subcommittee in February that his budget request would have been only $85 billion (TOA), instead of the $91.3 billion actually sought, except that this large amount was added to the FY 1975 military budget request to try to stimulate the economy during the present downturn. No one outside the Nixon Administration can know exactly where this anti-recession padding has been hidden. But it is clear that inflating the military budget is a grossly wasteful device for economic stimulation.

Any form of government spending arguably can stimulate economic activity. But, for four primary reasons, spending through the Department of Defense is a clumsy and crude approach when compared to other available measures. First, military spending is generally slower in impact than increasing other programs because of built-in lags necessary for cost-effective contracting. Figures on outlays in the budget document indicate that nearly 70 percent of the budget increases in military programs that might be used for stimulation will not be expended until after July 1, 1975. Greater military spending thus would have its major impact not when it might help but at the time when boom conditions are predicted by the Administration.

Second, countercyclical spending is less desirable through the Department of Defense than through other federal agencies, because it cannot be targeted to particular geographic depressed areas as effectively. The locations of the military contractors or the installations at which stimulative spending could take place have no necessary correlation to economic trouble spots, especially if contracts are to be awarded on an efficient and competitive basis.

Third, military spending goes largely to industries employing skilled, well-paid workers. Unemployment is most severe among unskilled, low-income people. Because of the high rate of inflation in food and fuel, this same group suffers even greater hardships from present economic conditions. Increasing the military budget provides little in the way of direct relief for the hardest hit among the unemployed.

Fourth, military spending as a stimulus to the economy is particularly wasteful, because, instead of creating social capital and providing services vitally needed in our states, cities, and rural communities, it creates only superfluous military hardware.

To grasp the significance of the $6 billion injected into the military budget for non-military reasons, Congress need only look at the amounts of total federal funding for other programs: education ($7.5 billion), drug abuse enforcement and prevention ($750 million), community development and housing ($6.4 billion), manpower ($3.3 billion), pollution control ($700 million), general revenue sharing ($6.2 billion), energy research ($2.1 billion). The Administration has impounded some $11 billion for water treatment, housing, health, education, welfare and mass transportation using as a justification the need for greater fiscal responsibility. When $375 million for urban transit is impounded at a time of both an energy crisis and high unemployment while $6 billion is pumped into the Pentagon, it would seem that the Administration favors unneeded military spending over even the most essential and worthwhile domestic programs.

Of course, spending for other government programs is not the only alternative to greater Pentagon waste as a means to provide the needed degree of economic stimulation. Instead, more money could be put into the hands of the working people who are hit hardest by both recession and inflation through expanded and extended unemployment compensation benefits, quick-impact local programs of public employment, a temporary reduction of the social security withholding rate or a reduction in the income tax on low incomes.

While the economy is experiencing a slowdown, inflation is rampaging. This unique economic quandary — known as stagflation — means that if federal spending is used to influence economic activity emphasis should be placed on both job creation and inflation control. Military spending is perhaps the worst form of federal spending in this regard. As noted on the recent "Monthly Economic Letter" of the First National City Bank of New York, "Historically, it has seldom proved good economics to give an economy a fiscal shot in the arm by upping defense outlays". In reference to the proposed increase for FY 1975, they add, "the result could be inflationary stimulus to an

economy that has already started on the road to recovery".

Military spending contributes to inflation, because it diverts resources which are then not available to meet demand by consumers or other agencies of government. As demand is being stimulated by counter-recessionary spending through the military budget, there will be greater upward pressure on prices for goods than normally is the case with military spending. As output nears production capacity the pressure on prices becomes even more intense.

THE REAL WORLD OF TODAY AND MILITARY NEEDS

The large real increase in proposed defense expenditures would suggest that somehow the military threat to the United States has increased. If this were so, the Administration would have been derelict in its failure to alert the people of the United States to the greater danger. But it is not so. Rather, as Secretary Schlesinger recognizes in his current Posture Statement, the world is "militarily dominated by two states — ours and the Soviet Union". He asserts that "the Soviet Union has historically been a relatively prudent and sober power" and that the contingencies of any Soviet aggression against Western Europe are "unlikely".

Instead of warnings of greater military threats, we are told that an era of confrontation has yielded to an era of negotiation. Current activity supports this contention. The United States and the Soviet Union are engaged in continuing talks on the limitation of strategic nuclear arms, and President Nixon still plans for a summit review in Moscow within the next couple of months. Other negotiations between the super-powers include those on mutual troop reductions in Central Europe and on European security and cooperation. We and the U.S.S.R. are co-participants in the Geneva conference intended to bring stable peace to the Middle East.

In Asia, the military capacility of the People's Republic of China is dwarfed by our own strategic air and naval forces. Our relations with China have improved, and there is now an exchange of high diplomatic representatives. The only current threat of Russian or Chinese aggression in Asia is that of a

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possible fratricidal fight between these two great Communist powers. Their mutual hostility helps restrain each from military adventures elsewhere.

We are, after tragic delay, no longer fighting or bombing in Indochina. The Secretary of Defense notes that this is the "first budget in a decade or more that does not include support of United States forces in combat".

Further swelling of our defense budget cannot helpfully affect the course of events in the Middle East. We have already in abundance the military power that lends weight to our diplomatic efforts to bring about a settlement. Steps have been taken in the past and can be taken in the future, outside the regular defense budget, to see that Israel has the arms it needs for its own defense. And certainly any direct U.S. military involvement would only hazard a confrontation there between the military superpowers with disastrous consequences for Israel and for world peace.

Nor does the United States enter this new era of international relations militarily weak. Despite the tendency of the Nixon Administration and the military services to poor-mouth U.S. defense capability at budget time, the U.S. retains important advantages over the U.S.S.R. militarily. For example, the U.S. has been about five years ahead of the Soviets in the development of MIRV's, multiple warheads which can be aimed at separate targets, and will continue to lead them in the number of missile warheads well into the 1980's no matter what the Russians do. Nevertheless, we are moving on to the next generations of nuclear warheads without waiting to see whether this dangerous and expensive race can be halted. The U.S. does not lead the U.S.S.R. in every category of weapons or units — nor need we seek to do so. We are today the strongest military power in history. What we must maintain is the strength, together with our allies, to deter or deflect any Soviet aggression against our territory or that of nations whose security is integral to our own.

But, despite these facts, we are asked now to supply more tax dollars for defense appropriations and expenditures, while badly needed domestic programs are starved for funds and inflation runs rampant. Our true national security is sacrificed to a mindless drive for more weapons of unneeded complexity and

inordinate expense and for the maintenance at home and overseas of military forces designed for contingencies in which our military involvement would disserve our national interests. For our true national security is neither measured nor insured by tanks, planes, missiles, warships and armed men but by the fundamental strength, unity and confidence of our people in our institutions, our economy and our society. We do not protect but endanger that real security by excessive military spending.

GENERAL PURPOSE FORCES

Feasible savings:
$5.9 billion

General purpose forces — Army and Marine divisions, land and sea based tactical aircraft and naval vessels other than strategic missile submarines — are the most expensive part of our military budget. They absorb, with their support, at least 60 percent of the total budget.

Policy and deployments

Our general purpose forces and where they are deployed are a major key to our foreign policy in reality — as opposed to our policy in words. The world has changed much in the last decade, but the conventional forces of the United States have changed little. Even on the Defense Department's grossly inflated "constant dollars" basis, which minimizes current costs, we are spending virtually as much on general purpose forces in 1975 as we spent in 1964 to maintain a strikingly similar force structure. The Pentagon claims that our conventional forces have declined sharply since 1964, but the truth is that the "peacetime" force for the 70's, although quantitatively somewhat smaller, is qualitatively far more powerful than in 1964. We maintain essentially the same number of tactical air wings. The Navy has the same number of attack carriers and three times as many nuclear attack submarines. The Pentagon itself explains the significant decline in the number of surface war ships as due to

retirement of "marginally effective ships". The small decrease in the number of ground divisions from 19-1/3 to 16 has reflected deactivation of forces remaining in 1964 from the earlier Berlin buildup and the abandonment of plans to fight 2-1/2 major land wars simultaneoulsy in Asia and Europe. (The number of divisions is now to be increased.) The individual weapons in the 1974 force now are immensely more powerful and sophisticated than those of 1964. To give just one example, the number of helicopters in the Army has doubled in that period and the capability of each has greatly increased.

Our deployments of these forces are also relatively little changed despite the vast changes in the world. The Asian deployments merit more attention than they have received. Even after the end of direct U.S. military involvement in the fighting in Southeast Asia and 24 years after the Korean conflict broke out, we still station some 181,000 troops in the Western Pacific and Asia, about two-thirds as many as in Europe. Most of the 36,000 troops based in Thailand are classified as incremental to the baseline force and are intended solely for possible reintervention into Vietnam hostilities. In addition, despite what we should have learned from the Vietnam experience about the folly of fighting a major land war in Asia, much of our general purpose force at home is committed to just such a possibility. Independent estimates of baseline force allocations slot at least 3 of our 16 ground divisions and 8 of our 39 tactical air wings to Asian contingencies.

We recommend that most of the forces maintained for Asian intervention, including the incremental force earmarked for Vietnam, be eliminated. This reduction of the force structure will yield savings of $463 million in incremental costs for Vietnam plus another $1.9 billion for demobilization of 3 divisions, 8 air wings and one carrier with attendant direct fleet and shore support.

A minimal first step Congress could take this year should be withdrawal and demobilization of 125,000 U.S. military personnel stationed in Asia. This would include the 36,000 troops in Thailand and our division in Korea. Even without the U.S. ground forces in Korea, the South Koreans would retain about a 2-to-1 advantage over the North Korean army. More than 20 years after the Korean War these forces serve only to foreclose the option of non-involvement of American personnel in the

event of conflict. Now the time has come to eliminate this last remaining automatic commitment of American forces outside of Europe. The American forces remaining in Asia after this 125,000 reduction would be more than ample to provide stabilizing evidence of continued American interest.

The most hotly debated aspect of our overseas deployments have been the forces stationed in Europe. In the interest of the United States, providing the forces necessary to give the NATO alliance military and political credibility must remain our highest conventional force priority. However, Congress has properly insisted that our allies neutralize the effect of our NATO forces on our balance of payments through the device of off-set payments.

There is certainly no military necessity nor any diplomatic purpose for maintenance of all our present 300,000 troops in Europe indefinitely. Nor can we wait indefinitely for complex arms control negotiations to begin this process of reduction. We should work out with our European allies a practical program for restructuring our NATO conventional plans in ways that will permit gradual but significant reductions in the U.S. force. As a very modest initial step, European forces and bases should be included in an immediate fifteen percent cut in support personnel. In fact, the Secretary of Defense acknowledged recently that at least 20,000 support personnel could be withdrawn. Significant economies of personnel and money would be available by reducing tactical nuclear weapons in Europe, and this can actually increase our security by minimizing the risk of nuclear war. Moreover, abandoning the illusion — shared neither by the U.S.S.R. nor our allies — that a long conventional war in Europe is a real possibility would sharply reduce our support billets there.

Finally, the Congress should proceed with caution in considering the relatively modest request for $29 million to expand the present small communications facility at the remote Indian Ocean island of Diego Garcia. This must not be allowed to become the first step toward a new and separate fleet for a continuous U.S. naval presence in the Indian Ocean or an excuse for maintaining higher carrier levels. The Soviet naval forces there pose no threat to our security. If the opening of the Suez Canal makes that remote marine expanse more accesible to Soviet ships, the ease with which it could be closed could

threaten an aquatic trap for Soviet naval forces in time of conflict. A decision not to create a massive U.S. military presence in the Indian Ocean would contribute to rationality and restraint in our foreign policy and save immense amounts of money through the prevention of long-term costs.

The FY 1975 budget reveals plans to keep a World War II type carrier in commission an extra year for duty in the Indian Ocean. This ominously suggests that the Navy is trying to keep the slot open for a future request for a fifth nuclear carrier to maintain the traditional total of 15 attack carriers rather than proceeding to implement earlier Navy plans to reduce the carrier fleet to 12 ships. This carrier should be deactivated for a savings of $100 million in FY 1975.

Streamline the reserves

Considerable waste, duplication and inefficiency can be pared from the Administration's request of $4.8 billion for the reserves (including the national guard). This is up 9 percent over FY 1974.

With the end of conscription, the reserves have replaced the draft as the principal means for expanding military forces in a national emergency. However, despite the goal of "total force planning", the precise role of the reserves in current national security planning remains unclear.

In view of actual capabilities, the reserves appear to be designed for a conventional war of indefinite duration. A significant portion of the reserve units is to perform support activities designed for a World War II type conflict, e.g., in governing occupied nations.

Since escalation of major conflict to a nuclear war has become a dominant reality for military planning, full mobilization of the reserves for protracted conventional wars seems unlikely. Given the present readiness of the reserves, it is unlikely that a reserve division could be deployed in time to effect the outcome of a short conventional war. Deterrence of conventional war now depends on forces in being which can react quickly. Even during the Vietnam War — the longest conventional war in U.S. history — there were only token mobilizations of the reserves.

In recent years, actual deployment of the reserves has been limited to domestic requirements such as disaster relief and quelling civil disorders.

If only the reserve units which could be used in a short war or for domestic emergencies are retained, reserve personnel and costs could be but by two-thirds. We urge the Congress to begin a thorough review of the unit missions of the reserves and to begin paring back non-essential units which do not meet the practical realities of present day military requirements. It might be possible to save several billions of dollars in future years.

But without redefining the role of the reserves in upholding U.S. national security interests, significant savings can be achieved in FY 1975 primarily through greater efficiencies.

Marginal and inappropriate functions should be eliminated, particularly those which survive from the World War II era only through bureaucratic momentum. Many administrative, recruiting and training activities and facilities of the Army and Air National Guard should be merged with reserve counterparts. In some instances, reserve personnel could be substituted for more costly active duty personnel in support billets. The manning for some units should be reduced to cadre status. If these reforms were to be implemented in FY 1975, as much as $600 million could be saved.

Procurement of New Weapons

Our general purpose forces, like our strategic forces, are marked by increasingly complex and expensive weapons systems. There is a danger that by neglecting practical combat effectiveness for goldplating and super sophistication, the Pentagon may well actually be reducing real military power. Significantly, the Pentagon admits that the experience of the Middle East War showed that basic combat readiness — maintenance, organization of supply and ammunition stocks — has not been adequate for modern conventional combat.

We recommend that research, development and procurement of weapons for general purpose forces be reduced by $2.8 billion through a combination of terminating and stretching out programs. Any additional costs incurred from implementing

these cutbacks should be met out of the unobligated balances of budget authority now totaling some $10 billion.

Examples of weapons systems which can and should be eliminated or cut back as we bring the size, deployments and mission of our conventional forces up to date include:

- Cancel AWACS, an electronics-laden Boeing 707 for airborne battle management and air defense command and control, which was suddenly and unconvincingly shifted from a strategic to a tactical mission ($770 million).

- Halt the Navy F-14 aircraft program ($756 million) and the Phoenix missile being developed for it ($100 million). This aircraft represents too little improvement over the F-4 at skyrocketing per-unit costs to be continued. The new VFX "austere" carrier aircraft proposal is far more promising.

- Stretch out procurement of the SSN-688 nuclear attack submarine. Only two instead of three boats should be built in FY 1975 for a savings of $100 million.

- Suspend new tank development. The Middle East War raises very serious questions about the role of the traditional tank in modern combat environments in which missiles are used extensively. Yet the Pentagon response has been to accelerate procurement of M60 tanks ($237 million) and to revive the main battle tank (XM-1) killed by Congress in 1971 ($69 million). Clearly some new tanks are needed, but massive procurement and development of a super tank are hardly justified at present. The appropriation for tanks should be limited to $100 million in FY 1975.

- Stretch out procurement of the DD-963 by cutting the FY 1975 build from seven to three ships and reducing the $464 million request to about $200 million. The unit cost of this oversized, rapidly obsolescing destroyer is nearing $100 million. At the very least, the program should be decelerated while the financial and technical problems are resolved.

- Slow procurement of the Patrol Frigate ($437 million). This imaginative concept for a lower cost, less complex ASW ship is threatened by a forced-pace, high concurrency rush to

procurement. The lessons of the DD-963 are being ignored. A more modest pace would save $200 million in FY 1975 and, equally important, would increase the chances for success in the program.

Cuts such as these and a more critical look at other aircraft, missile, ship and vehicle programs in terms of both procurement efficiency and a recognition of the limits to U.S. need for conventional intervention forces—especially in Asia—could yield an additional $300 million. Simpler and more workable weapons could actually enhance the effectiveness of our force.

Personnel

General purpose forces and their support are the largest users of personnel. So it is here that the greatest benefits would result from economy in use of this expensive resource — and here that the need is greatest. Headquarters, training, base operations and other areas in which waste abounds (detailed elsewhere in this report) have their biggest impact on general purpose forces.

A particular Pentagon anomaly, new in this year, needs to be stopped now. The Chairman of the Joint Chiefs of Staff proposes to increase the Army a full division by the end of 1975 — and possibly by 3 divisions in two or three years — as the result of personnel savings from efficiencies. There is no convincing evidence we need any such build-up of ground forces either to meet new threats or to negotiate away in arms control talks. In fact, heavy emphasis is placed on the build-up as an "incentive" to the Army to cooperate with efforts to shrink swollen support costs. This amounts to giving the army — and presumably the other services as well — a permanent claim on the dollars and manpower slots saved by eliminating their past waste and inefficiencies, to prevent them from sabotaging the efficiency program. This is an abdication of management, and it is an insult to our military services to suggest that only this kind of tactic will induce them to eliminate waste. Instead of "beating fat into more swords", this waste should be converted for non-military purposes.

MILITARY EFFICIENCY

Feasible Savings:
$4.0 billion

Through implementation of operating efficiencies at least $4.0 billion or 8.3 percent could be saved in FY 1975 from a portion of the budget totaling some $48 billion. This covers $21.2 billion in military support personnel (excluding reductions outlined in an earlier section), civilian pay of $14.7 billion and the non-pay portion of operation and maintenance of about $12 billion. Greater efficiency can be achieved with no significant effect on U.S. military capabilities.

Eliminate Excess Support Troops

A growing problem for the military is that, despite improved combat effectiveness supposedly gained from better technology, the support bureaucracy is becoming more complex and cumbersome. The overwhelming majority — about 83 percent — perform direct or indirect support tasks such as administration, logistics, training or maintenance. This is an area in which personnel savings can be realized. Only strict oversight by Congress and tough management by the Pentagon will stop this drain of valuable resources.

We recommend that fifteen percent of all support personnel be cut. Excluding the billets eliminated in the section of this report covering general purpose forces, the net reduction would be about 175,000. Assuming that reductions take place early in the fiscal year, savings could amount to $2 billion in payroll and attendant operation and maintenance costs. This goal could be reached readily by limiting the 473,000 accessions planned for FY 1975. Congress has used such a procedure in the past to limit the number of replacements.

Reduce the Civilian Bureaucracy

The Administration has requested 1,128,000 direct-hire civilian positions for FY 1975. This figure represents an increase of 18,000 over the level approved by Congress last year.

There is nearly one civilian for every two people in uniform. Excluding the Postal Service, the Department of Defense has roughly as many civilians as all other federal agencies combined.

President Nixon said shortly after his 1972 election victory, "But in terms of the masses of civilian employees who are getting in the way of each other over the Pentagon and around the country, they are going to have to take a thinning down". This view was echoed by Chairman John Stennis of the Senate Armed Services Committee when the FY 1975 request was submitted, "This proposed increase seems inconsistent with the announced intent of the Department to achieve greater manpower efficiencies". Certainly this problem should receive careful scrutiny.

Although we support the basic objective of civilianization — to use civilian personnel in jobs which do not require military incumbents and thereby reduce the requirement for military personnel — we believe that greater effort should be made to reduce the civilian work force while meeting civilianization goals. An excessively large civilian bureaucracy will drain resources from more vital military programs.

We recommend a fifteen percent cut in the civilian personnel slots requested for FY 1975. About $2 billion in payroll and attendant operation and maintenance costs can be saved if staff reductions are made early in the fiscal year. As in the case of active forces, this goal can be reached primarily through reduction of accessions.

The Administration has requested an additional 24,000 jobs in the FY 1974 Supplemental and the FY 1975 budget to "improve combat readiness" by "reducing backlogs in depot maintenance and ship overhaul and increasing logistics and base operations support activities". It seems apparent that these jobs were added as part of the increment designated to stimulate the economy, and, therefore, should be eliminated.

Further economies can be made by cutting some of the 953,000 support slots for land forces, base operations, command, logistics, training, personnel management, medical services and reserve units.

Trim Support Services

Some of the major ways in which support positions both civilian and military can be reduced are:

- 24,000 excess support troops are being used to create additional land forces. Instead of "beating fat into swords" the fat should be rendered for consumption by domestic priorities.

- "Grade creep" — a growing number of higher grade officers and senior civilians in a smaller total force — should be minimized. For example, there are now more field grade (lieutenant colonel or commander and above) and flag officers to command a force of 2.2 million than there were in 1945 when the military numbered 12.1 million.

- The military enjoys a much higher teacher/staff to student ratio (1.7 to 2) than practically any civilian institution offering comparable individual training. Greater emphasis should be given to on-the-job training, shortening specialized training courses and inter service courses. The number of pilots trained per active aircraft has grown unreasonably and should be decreased. Thus pilot training costs and student billets can be pared.

- Some 1,181,000 military and civilian personnel are engaged in personnel management, command, base operating support and logistics activities. Reductions can be made by making operations more efficient and closing facilities having marginal utility.

- Given the fact that major conventional wars are likely to be short, support forces geared for sustaining long term combat should be reduced.

- The average time a soldier spends on a duty station can be extended thereby reducing the number of billets allocated to transients and the costs of permanent change of station moves. Current efforts in this direction are highly desirable and should be continued.

- In view of force modernization, the requirements for overhaul and maintenance should be cut back, not increased.

- The number of full-time personnel used to support reserve components should be trimmed.

STRATEGIC NUCLEAR FORCES

Feasible savings:
$2.5 billion

The basic principle of U.S. nuclear forces since even before our nuclear monopoly was broken has been the absolute deterrence of nuclear war by maintaining an ability utterly to destroy any attacker even after absorbing the worst possible first strike. Statements surrounding the FY 1975 budget suggest that President Nixon's oft stated, but never defined, desire to have alternatives to our basic strategic policy of deterrence has led to a new strategic doctrine.

Counterforce Weapons and New Strategies

The Nixon Administration appears confused over what the new policy is — targeting military installations as well as cities, more flexible planning and command or a new requirement for weapons with enhanced capabilities for counterforce, i.e., for attacking enemy nuclear forces. Our plans have always included military targetting, so the announcement of a "new" targetting strategy is only a public announcement of an existing option. Similarly, insuring that our command and control and our planning are flexible enough to give us choices besides a final world-destroying spasm is scarcely a novel idea and certainly requires no new weapons.

But neither the new policy nor the admitted uncertainties of Soviet programs and plans justify Administration requests to build weapons with enhanced capabilities to destroy Soviet missiles — a capability President Nixon and his earlier Secretary of Defense Melvin Laird once denied seeking — by higher accuracies and yields for our ICBM's. These programs include new warheads, new guidance systems and advanced work on a new ICBM. Their approval would be a mistake and a dangerous one.

New counterforce weapons would introduce a major new and very dangerous element into the strategic equation, for they could be construed to threaten the entire Soviet land-based mis-

sile deterrent and thereby provide a strong impetus to the arms race. They are not the right answer to potential Soviet counterforce capability. Instead of reducing the feared vulnerability of U.S. ICBM's to a Soviet counterforce strike, they would increase the attractiveness of our ICBM's as targets.

For these reasons, none of the counterforce programs — costing about $300 million — should be included in the FY 1975 budget. This relatively low request for research and development money would be the opening wedge for programs which could in time cost billions of dollars. We should halt these dangerous and unnecessary new programs now before they start; not start them as "bargaining chips". Experience has shown that we cannot rely on arms control negotiations to stop such developments once really underway.

Ballistic Missile Submarines

More than $2 billion, an increase of $600 million, is sought for the Trident program in FY 1975. This program is a technical, military and fiscal fiasco. These submarines will cost $1.3 billion or more per boat. The Soviet anti-submarine warfare threat to the existing Polaris-Poseidon fleet cannot even be defined. The replacement of Polaris with Trident boats would, in the long run, increase the vulnerability of the fleet as a whole, because it would concentrate more of our missiles in a smaller number of ships.

Fortunately, an alternative could be available when Polaris eventually needs to be replaced in the late 1980's or early 1990's. The new budget includes funds for research and development for the first time for a new, smaller missile submarine using the existing quiet Narwhal reactor. This would have essentially the same protection against anti-submarine warfare as the Trident but place fewer missiles in any given ship and be able to be based so as to operate in both the Atlantic and Pacific oceans. This program should be strongly supported. The 4,000 mile Trident I missile — usable in the existing force — is a worthwhile program, but the Trident submarine and the 6,000 mile Trident II missile (all but $661 million of the $2,042 million Trident request) are not and should be suspended at least until an evaluation can be made as to the proper replacement for Polaris.

Strategic Bombers

The budget seeks one half billion dollars for development of the B-1 intercontinental bomber and proposes to begin work on the fourth and fifth aircraft even though the program is in serious technical and financial difficulties. The unit cost of these planes has been rising almost daily to the present $61.5 million. Moreover, developments in surface-to-air missiles make it very desirable to restudy the proposition that the best bomber option for the future is a high-performance aircraft designed for penetration of Soviet air defense at the sacrifice of endurance and payload. Procurement of additional B-1 aircraft should be halted and development work begun on a follow-on to the B-52 bomber which could use the stand-off air-to-surface weapons now under development. The FY 1975 budget also includes $20 million for an advanced tanker aircraft which could carry both ballistic and cruise missiles. Inasmuch as the B-52's can remain in service well into the 1980's, these stand-off bomber options should be encouraged.

Strategic Defense

Even two years after the signing of the ABM Treaty, the budget calls for almost one half billion dollars for procurement of new strategic defense systems. $374 million is for the development of more modern ABM's, the deployment of which would be forbidden by treaty. These programs should be held to research on advanced technology without the procurement of hardware. Another $86 million is for civil defense programs including evaluation of evacuation procedures and shelters.

MILITARY ASSISTANCE TO SOUTHEAST ASIA

Feasible Savings:
$1.4 billion

The continuing war in Southeast Asia is still costing the United States about $2 billion a year in military aid alone. $1.45

billion in new appropriations for the Department of Defense is slated for military aid to South Vietnam. In the Military Assistance Program budget, $390 million is sought for Cambodia and $90 million for Laos, even though a political coalition has ended the conflict there. All but $500 million of the new aid money for Indochina should be cut. The aid ceiling should be set at the same level to avoid inflating the program by rapid use of "pipeline funds". In addition, 36,000 U.S. troops in Thailand should be withdrawn and demobilized as suggested in the section of this report on general purpose forces.

Many Americans would end military aid to Saigon entirely this fiscal year. In any event, the amount should be drastically reduced, not increased over last year, as sought by the Administration. Last year Congress appropriated $900 million in Pentagon-funded aid to Vietnam and set an overall ceiling of $1.126 billion to authorize the spending of some unobligated funds from previous years. We consider the decision by Congress to reduce the request last year wise and recommend that this year the amount of new appropriations be held to $500 million as a further step in a definite program for an early end to this vestige of our involvement in the Indochina war.

MILITARY ASSISTANCE PROGRAM

Feasible savings:
$1.1 billion

The United States distributes an ever-increasing amount of military equipment around the world in free military assistance, training and sales. The reasons given are a mix of military and non-military: partly to mollify countries where the U.S. military maintains bases and troops (Spain, Portugal, Greece, Philippines, Korea); partly to favor the U.S. balance of payments; partly to gain political influence with the recipient country. This massive distribution of military weapons does little or nothing to bring about world peace. Several conflicts in Asia, Africa and Latin America have been fueled with U.S. military aid.

In FY 1975, military and related assistance and arms sales programs will probably total more than $10 billion. A large amount of military assistance, over $5 billion, is made available through programs which require no Congressional appropriations — Department of Defense foreign military cash sales, excess defense articles and ship loans.

Certainly some military assistance and sales are in the interests of peace and our national security, but the bulk of the proposed program contributes to neither. The countries of the world can no longer be realistically divided into the free and the non-free, based solely on a Communist/non-Communist definition of government. For example, among the countries that receive some form of military assistance from the United States, there are twenty-seven that permit no political opposition and several that severely repress individual rights and liberties. Our military aid, at our expense, can gain us the lasting hostility of the people oppressed.

In addition to the savings outlined for new funding, we recommend that Congress reduce significantly cash sales and the distribution of excess defense articles and loaned ships to developing nations.

Military Assistance Advisory Groups, missions and military groups that are attached to U.S. embassies around the world, but which report directly to the Department of Defense, can easily be reduced. There are some countries with no military aid program where these groups still exist. We recommend a 25 percent cut this year as a step toward a total phaseout of the program.

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Feasible Reductions in the Foreign Military Assistance Program

(budget authority in millions of dollars)

Program	FY 1975 Budget Request	Proposed	Savings
Military grant assistance	925	150	775
Foreign military credit sales	315	—	315
Credit sales ceiling	(543)	(228)	
Offsetting receipts	-161	-161	
MAP trust funds	846	846	—
	1,925	835	1,090

LEVELING OFF AND REDUCING MILITARY APPROPRIATIONS

It is important for the Congress to have before it alternative views of the specifics of the military budget. As what has come before in this report makes clear, we believe that many substantial specific reductions can be made in military spending without reducing American security. Indeed we believe that the proper cuts will increase our security.

We believe that each of the reductions in the FY 1975 budget proposed here can and should be made by Congress. Scrutiny of the details of the defense program by Congress and its committees in the past has made important direct and indirect contributions to a more rational and more economical policy. But we are not unmindful of the practical legislative difficulties for Congress in seeking to control the military budget by eliminating or cutting particular programs, especially on the floor of either house.

Moreover, the relationship between the size of the military budget over a period of several years and the elimination of one

or more programs is not very close. If one program is eliminated, other programs or other Pentagon uses of the funds "saved" will quickly step forward to fill the void within the military budget ceiling established each year within the Executive Branch. The obstacles to trying to influence the overall size of the military budget by identifying waste or cutting particular systems was made clear when Secretary of Defense Schlesinger told the Senate Armed Services Committee that there was significant waste in the military budget and that he was determined to eliminate it, but that any money saved would go for larger general purpose forces. Similarly, the decision to forego a complete ABM system has not led to reduced spending for strategic weapons. Compared to FY 1974, the funding for new strategic weapons has increased 15 percent.

Thus a weapon by weapon approach faces formidable difficulty for both the Congress and the Executive. Curtailing a weapons system on the floor of Congress should be attempted when important policy questions are involved. We suggest that as an alternative Congress, in light of its concern for fiscal responsibility, for shaping national priorities and for insuring that the Executive departments are run efficiently, develop a long term plan for controlling the total size of the military budget.

We propose that Congress establish a ceiling on the total military budget each year. This ceiling would be applied proportionately to the four major military appropriations bills (Department of Defense, Military Construction, Military Assistance and the military portion of Public Works-AEC). A Congressional ceiling would be fully consistent with the budgeting procedures used within the Administration. Since Congress has the responsibility for allocating federal resources, an annual ceiling would facilitate the determination of budget priorities in general. Legislation now pending to reform the budget process already incorporates the notion of ceilings for each major appropriation.

The effort to gain Congressional control of the defense budget in FY 1975 should, first of all, accept the view supported in this report that the world situation will not require, for the

foreseeable future, constant dollar increases in the military budget. Thus, in considering the FY 1975 budget, Congress should begin with the constant dollar equivalent for FY 1974 — about $90 billion, the amount appropriated for FY 1974 adjusted to take account of legitimate supplementals and price increases — rather than with the substantial increase reflected in the Administration's request of $98 billion.

Congress, however, should go beyond merely holding the military budget constant and should begin to require the Pentagon to squeeze the fat out of the budget that has been inadequately controlled for twenty-five years. This could best be done if Congress would establish an annual objective for efficiency in the operations of the Department of Defense to be achieved for several years. This efficiency program could be implemented by a 3 percent reduction in appropriations, in constant dollars, for each of the next five years. With an efficiency cut of just under $3 billion, the appropriations ceiling for all military functions would be $87 billion in FY 1975 or an $11 billion reduction from the Administration request. By FY 1979, the military budget would total $77 billion in FY 1975 constant dollars.

Congress need not attempt to define how these efficiency and economy cuts would be made but should leave the task to the Secretary of Defense who has already elaborated many areas of waste. As this report shows, the Pentagon could readily make the necessary $11 billion in reductions for FY 1975. Indeed, the purpose of the five year efficiency program would be to give the Secretary the time and the motivation to plan ahead for future economies. Congressional hearings and debates as well as reports prepared by the Executive Branch would provide a means for oversight of progress made by the Department of Defense.

A congressionally directed 3 percent economy/efficiency dividend each year for five years would not in itself determine the size of the military budget in current dollars. Congress should permit the budget to rise to take account of inflation. For example, if a 7 percent rise in costs due to inflation were combined with a 3 percent cut for efficiency, the budget would increase by 4 percent (in constant dollars).

Beyond increases for inflation and decreases for efficiency, Congress would be free to legislate a further reduction (or increase) in defense spending based on a significant change in military threats or in military strategy.

We are now in a period of increasing scarcity of fuels, food and other goods. Americans are all being asked to economize in the use of scarce resources. The success of these conservation efforts depends on the willingness of all segments of American society to take stern measures to eliminate waste and inefficiency. To exclude the Department of Defense, which consumes so high a proportion of our funds and resources, would further undermine public confidence in government.

ORAL STATEMENT

Mr. WARNKE. Thank you, Mr. Chairman. I appreciate very much the opportunity to appear before the subcommittee this morning to outline briefly the report that has been prepared by the group of which I am a part, which is the Project on Budget Priorities.

I would agree most enthusiastically, Mr. Chairman, with your summary of the objectives of all Americans.

Certainly none of us who prepared this report would differ in any respect from your assessment of the fact that we must maintain a militarily strong posture.

REDUCTION RECOMMENDED

All of us have served in the national security field, all of us I think have a realistic assessment of the dangers. Basically it seems to us that the question should not be phrased in terms of a $14 billion cut because it is a $14 billion suggestion of items in the current defense request that could, without sacrifice to our security, be deleted.

Chairman MCCLELLAN. Was the newspaper account in error about that?

Mr. WARNKE. No; it is correct, sir, if you refer it to the request, not to any current defense budget.

In other words, in terms of any defense budget that has never been approved by Congress the $14 billion cut is not apposite. It is a $14 billion cut in the current request of the administration.

Chairman MCCLELLAN. That is the way I understood it. There could be a $14 billion plus reduction in the pending request.

Mr. WARNKE. That is correct.

Chairman MCCLELLAN. Proceed.

COMPARISON WITH 1974 FUNDING

Mr. WARNKE. Now in terms of the budget that was approved last year, what it would represent would be a slight increase with our proposal, in absolute dollars, and a slight decrease, some $3 billion, if you compare the 1974 budget and 1975 budget in constant dollars.

In other words, what I am trying to establish, Mr. Chairman, is that it is quite a modest suggestion in terms of the existing budget for fiscal year 1974. We feel that the level of financing for this fiscal year is certainly adequate and even more than adequate to provide for our physical security and it will enable us to discharge our responsibilities to our important alliances.

We don't believe, however, that an increase in constant dollars over 1974 is at all appropriate or warranted and needed for fiscal 1975.

You have pointed out, Mr. Chairman, the fact that our national security does involve things other than military hardware and military personnel. It requires that we have a functioning society. It requires that we are able to provide a standard of living for our people that will satisfy their aspirations. It requires that we have a posture of fiscal responsibility that will prevent the erosion of inflation. I was very struck and quite depressed by the statement that was made by

Dr. Arthur Burns recently, the Chairman of the Federal Reserve Board.

He pointed out his apprehensions about the impact of inflation on our survival as the kind of society that we had been in the past. He pointed out the fact that inflation hits on the vital center of American population, those in the so-called middle America group whose incomes have been effectively reduced by the impact of inflation in recent years.

HOLD-THE-LINE POLICY RECOMMENDED

Now in the view of our group our national security can't tolerate the proposed increase in the defense budget; because we submit, and our report outlines this in detail, that in fact there is a real increase in the proposal for 1975 as compared with 1974 and that that increase is in the order of 9 to 10 percent.

Now we believe that instead of that approach, instead of the Congress agreeing to a 9- to 10-percent increase in defense appropriations in constant dollars that the Congress instead should adopt a hold-the-line approach, that what the Congress should do is start with the fiscal 1974 appropriation, translate that into constant dollars to reflect impact of inflation and price increases, and then require that the Department of Defense give an efficiency economy dividend. There is, I think we all recognize, enough slack in the defense budget at the present time so that a modest decrease in real terms over 1974 will be achievable.

Chairman McCLELLAN. You do not mind if we ask questions?

Mr. WARNKE. Not at all.

Chairman McCLELLAN. I thought that was the way you wanted to do it.

Mr. WARNKE. Yes.

Chairman McCLELLAN. As I understood your remarks, you pointed out that the whole picture must be taken into account with respect to national strength.

Mr. WARNKE. That is correct.

Chairman McCLELLAN. You suggest that we hold the line to the 1974 level with respect to the military establishment?

Mr. WARNKE. That is correct.

SOCIAL PROGRAMS

Chairman McCLELLAN. Would you also make the same suggestion with respect to the civilian and social programs that we are financing?

Mr. WARNKE. Our report of course, Mr. Chairman, only deals with the military budget.

Chairman McCLELLAN. I understand. We could do that if we set such a goal. We could limit 1975 appropriations for the entire Government to the 1974 funding figure and hold it to that.

Mr. WARNKE. I think, Mr. Chairman, that that would be a very healthy approach for the Congress to take.

Chairman McCLELLAN. You would be willing to see that approach carried out?

Mr. WARNKE. I would. I think it is important.

DANGERS INHERENT IN INFLATION

Chairman McCLELLAN. I think that is a good point. If we are going to do this, let us take the whole picture into account. I don't know how much risk there would be in the military position at the moment to do it, but if we are going to fight inflation—and I think inflation, as you point out and as Dr. Burns pointed out, is a great danger—maybe this is the right way to do it: to set some such level and stick to it across the board. I don't know.

Mr. WARNKE. As I said, Mr. Chairman, I do believe that will be a healthy approach. I think in terms of the welfare of the American people that the most important thing that the Congress can do is to prevent this constant erosion of their actual purchasing power, an erosion which has eliminated in many instances the margin between comfort and discomfort.

One of the reasons that we feel that the defense budget is so important in this respect is that it represents the major share of those funds which are actually controllable by Congress in a year.

CONTROLLABLE FUNDS

We have a bar chart at the beginning of our report on page 4 which reflects the proportion which national defense functions represent of the total controllable funds within the disposition of Congress.

There has been much talk about the fact that our military expenses are a fairly constant or even decreasing part of the total Federal budget. But I think what that overlooks is the fact that much of the Federal budget consists of funds which cannot be used in any fashion other than that for which they are earmarked.

The social security funds, for example, are trust funds which are collected and earmarked specifically for social security purposes.

Chairman McCLELLAN. That is true, but those are costs of Government. The money comes out of the taxpayers' pockets.

Mr. WARNKE. The money comes out of the taxpayer, but in a sense it is the taxpayer buying an insurance policy for his old age.

Chairman McCLELLAN. That is what we are doing with military preparedness, buying security for our Nation.

Mr. WARNKE. That is correct. I think there would be no other justification for it. But in terms of any effort to control inflation the social security fund is not within the control of Congress at this point.

It can't determine how those funds are going to be spent and that those funds will not be spent.

What it can do is control the other position of the Federal budget.

Chairman McCLELLAN. I would say all of it is ultimately within the control of Congress. As long as we sanction it, there is the obligation to collect the money. But the Congress has the power to reduce it.

Mr. WARNKE. It can for the future, Senator, that is correct. It cannot do anything with the existing funds though other than have them expended for the purpose for which they were collected.

Chairman McCLELLAN. That is correct.

DEFENSE PORTION OF CONTROLLABLE FUNDS

Mr. WARNKE. So that in terms of those moneys which are actually controllable by Congress in the current fiscal year, national defense represents in excess of 60 percent of those controllable funds.

Therefore, any effort on the part of Congress to exercise some sort of financial discipline requires a careful review of the defense budget.

Now, we feel that Dr. Burns is correct in worrying about what he referred to as the awesome Federal spending and that awesome Federal spending is, to the extent that it is controllable, more than 60 percent in the field of national defense.

Now, no one can disagree with the need that we have to maintain strong military forces that will deter any type of aggression but I don't believe that the Defense Department or any other institution can be given carte blanche to determine its own needs.

CONGRESSIONAL CONTROL NEEDED

It requires an outside review. Under our form of government of course that outside review has to come from the Congress of the United States.

Chairman MCCLELLAN. That would be true with any agency of Government, would it not?

Mr. WARNKE. It would definitely be true. I would hope that the Congress would exercise that degree of control over other agencies as well.

In some instances it appears that the Department of Defense occupies a somewhat privileged position. We have noted with approval of course, Mr. Chairman, the action of the committee last year in reducing the request which has been made by the Department of Defense.

We feel this year, since there is an actual increase over previous requests, that a larger cut on the part of the Appropriations Committee is entirely appropriate and would in no respect weaken our defense posture.

WEIGHING THE NEED FOR WEAPONS

Chairman MCCLELLAN. Mr. Warnke, with respect to the military, and particularly with respect to the acquisition of weapons, you, who have been in the Defense Department, can appreciate that great weight must be given to the views of military experts with respect to the kind of weapons that may be needed.

We appropriate money for research. The experts say we are going to try to develop weapons in a given manner. I don't know how to overrule them. They know more about it than we do.

What we can do is to determine how much we can spend on the military effort. The military authorities often disagree among themselves as to whether they should seek a new aircraft or a new submarine or something else with the money they are going to spend. The Congress has to evaluate those alternatives and make a decision.

I don't think we should be subservient at all to the dictates of the military establishment, but you do have to show some deference to

the expertise that presumably is contained in the military establishment, just as in providing for medical expenditures, you have to show some consideration for what the medical experts say on how to get the most good for the money you spend.

CONGRESS AND RATIONAL PRIORITIES

Mr. WARNKE. Again I do not disagree with that statement. I certainly feel that the judgment of our military leaders should be taken into consideration and given great weight.

However, I don't think they should be the absolute judges. It is not their function to determine priorities. That has to be the function of the Congress of the United States. And they necessarily, and I think commendably, are advocates for their own services.

We have to anticipate that is what they are going to do. Frankly, I would not want to see that changed. I would not want to see the chairman of the Joint Chiefs of Staff try to determine political priorities.

I want him to continue to be a strong advocate for those weapons systems that he feels are desirable in our national interest.

I think we have to recognize that in some instances these weapon systems are inordinately expensive and that other weapon systems may do the job perfectly adequately.

I think also we have to recognize this in many instances we have not given our military leaders adequate guidance as to the kind of military contingencies in which the United States with its foreign policy will become involved.

So, in many instances we find they are equipping themselves in my opinion for the kinds of conflicts and for the kinds of intervention and involvement which are inconsistent with our foreign policy and inconsistent with our national interest.

I think it is very important that we begin to develop a system whereby our foreign policy can determine our defense policy and our defense policy can then determine our force structure.

I think this is one of the reasons why in many instances we find statements that are made by our military leaders in their testimony before Congress inconsistent with our present understanding of what the uses are of our American military force.

Now, I think we ought to start off with the proposition that military power——

Chairman MCCLELLAN. Will you yield at this point? Senator Young wants to ask a question.

Mr. WARNKE. Yes, sir.

RECOMMENDED REDUCTIONS

Senator YOUNG. On page 3, about halfway down you state:

> Taking the total military budget of 1974, including the AEC military programs, Congress enacted a total of $85 billion in constant dollars.
>
> In constant dollars a "hold-the-line" budget for fiscal 1975 would be about $90 billion. But the amount requested, again including Atomic Energy programs, is about $98 billion.

The figure we have is about $95 billion. Would you cut $14.9 billion off of this?

Mr. WARNKE. Off the $98 billion?

Senator YOUNG. Ninety-five is the figure we have. How would you cut it? You say that a hold-the-line budget would be about $90 billion.

Mr. WARNKE. That is correct.

Senator YOUNG. That would not be a $14.9 billion reduction.

Mr. WARNKE. What our report has proposed, Senator Young, is that there be an $11 billion cut from the $98 billion figure. In other words, the actual appropriation for fiscal 1975 would be $87 billion which would be a 3 percent cut in constant dollars from the appropriation figure for fiscal 1974.

Senator YOUNG. Will you give us a breakdown for the record of how you arrive at this $98 billion?

Mr. WARNKE. Yes. What that consists of, is detatiled on page 6 of our report. The Department of Defense request is $91 billion, military assistance is $1.9 billion, AEC military, according to table 13 of the budget, is $3.1 billion.

Then we add to this the supplemental for readiness in the amount of $2.1 billion.

As you know, what the administration has proposed is a supplemental, part of which would accommodate pay increases and fuel price increases but part of which would be a readiness supplemental which would buy additional military capability.

Now, we don't believe that that $2.1 billion can properly be attributed in an ex post facto to fashion to the fiscal 1974 budget. We believe instead it is properly includable as funds which the Congress is being asked to appropriate for fiscal 1975 for new military capability.

INFLATION CONSIDERATION

Senator YOUNG. In a hold-the-line budget what percentage do you use for inflation?

Mr. WARNKE. What we have done is use the Department of Defense estimate which is an increase of $5.1 billion between fiscal 1974 and fiscal 1975.

Senator YOUNG. Do you think 5 percent is realistic?

Mr. WARNKE. It is not 5 percent, Senator. It is a $5.1 billion increase.

Senator YOUNG. But inflation is more like 10 percent, more than that on salaries. The military in the last 5 years has increased the average pay from $5,500 a year to $10,000.

Mr. WARNKE. Of course our comparison is between 1974 and 1975. This figure as to the effect of pay and price increases is taken from the news release of the Department of Defense which is cited on page 6 of our report.

In other words, this is a Department of Defense figure. If this is incorrect we of course will be prepared to see what adjustment would be appropriate.

REDUCTION IN NEW WEAPONS: F–15

Senator YOUNG. In your report I understand you would cut out some of the modern new weapons. You don't think we need them?

Mr. WARNKE. We would cut out some of the new weapons programs which in my opinion are unneeded, that is correct.

Senator YOUNG. You would cut out the F–14?

Mr. WARNKE. That is correct.

Senator YOUNG. The F–15?

Mr. WARNKE. The F–15 we would not cut out. I think the F–15 is a cost effective weapon.

B–1 BOMBER

Senator YOUNG. The B–1 bomber?

Mr. WARNKA. The B–1 bomber I think is the wrong bomber at the wrong time.

SAM MISSILE

Senator YOUNG. And the new SAM missile program?

Mr. WARNKE. The SAM missile program is in our opinion and, as indicated in the report of the GAO last year, not a cost effective weapon. Its mission has been changed from essentially strategic defense to a tactical defensive weapon and I don't believe it is the correct weapon, that is true.

I agree completely with the GAO report.

ARMY MODERNIZATION

Senator YOUNG. You disagree with the Army's big five modernization program?

Mr. WARNKE. No. There are many instances in which I agree with the modernization program.

Senator YOUNG. You will discuss your disagreement.

Mr. WARNKE. Our report has gone in detail, Senator Young, into the specific weapons systems that we think should be considered. I would agree with the chairman that the proper approach is to set some overall limit and then to allow the Department of Defense to determine which of these items are dispensable.

F–14 REDUCTION

Senator YOUNG. We are selling F–14's to Iran. If we cut out the F–14's that country would have more modern fighter planes than we have, wouldn't it?

Mr. WARNKE. I think if we stop the program we would have to find some other plane to send to Iran as well. The fact that Iran might mistakingly buy some F–14's does not strike me as a good reason for our doing it.

I think the F–14 is a plane much too expensive for its mission and the mission, itself, is a dubious one.

F–111–B

Senator YOUNG. The Navy has not had a new fighter plane for 20 years. The F–111 was not built for the Navy.

Mr. WARNKE. The F–111 was of course abandoned, the F–111–B, and the F–14 is a substitute for it. It shares many of the same problems that the F–111–B had. I think it is too heavy. I think its performance has been degraded and it is inordinately expensive.

Senator YOUNG. The military people don't agree with you.

Mr. WARNKE. I think some of them would agree with me, yes. I think some of them did agree on the F–111–B.

Senator YOUNG. Would you name some outstanding military man that would agree with your analysis?

Mr. WARNKE. I would not be willing to give the names of anybody on active duty at the present time, Senator Young.

Chairman MCCLELLAN. The F–111–B was abandoned in spite of the protests of the Defense Department against abandonment of it, was it not?

Mr. WARNKE. I can recall, Senator McClellan, appearing before you back in 1967 and helping to make a case for the continuation of the F–111–B. The Congress, I think, probably correctly, decided against us.

Chairman MCCLELLAN. I do not mean that in a critical sense. What I am pointing out is that when the Congress does become convinced that the military is making a mistake, generally it acts accordingly, isn't that correct?

Mr. WARNKE. I think that is true. I certainly support that function on the part of Congress.

Chairman MCCLELLAN. You had the experience when you were in the Defense Department of urging the procurement of the F–111–B. That would have been an aircraft at least as bad as you say the F–14 is now.

Mr. WARNKE. I would agree with you, Senator McClellan.

Chairman MCCLELLAN. I am not concerned about that. What I am concerned about is that we get all the information we can and sit down here as good Americans and try to do what is best for this country. That is all I am concerned about.

That is why I welcome your testimony. I want you to go into this as fully as you wish and make your point of view here so that we can weigh it and evaluate it against the testimony that may conflict with it.

I want you to know that I am welcoming what you are doing and I am glad to have it.

Mr. WARNKE. Thank you, Mr. Chairman.

Chairman MCCLELLAN. If I raise some question, it does not necessarily mean I am being critical of you or your purpose in being here today.

Mr. WARNKE. I recognize that. I certainly take Senator Young's questions in exactly the same spirit. I think we are all engaged in exactly the same effort for the same objective. What we are trying to do is determine what are the limits that may safely be put on the military budget.

NEW TECHNOLOGY DRIVE

In my opinion one of the items that drives the military budget up to what I regard as an excessive level is the fact that in many instances the drive for new technology exceeds the need for the new technology, that in many instances the new weapons program at a very high cost gives us nothing in the way of useful additional incremental military capability. I think a good example of that is the proposed Trident submarine.

Chairman MCCLELLAN. Your contention is that we are pushing it faster than is the need for it?

Mr. WARNKE. That is correct.

Chairman McClellan. Pushing it faster than is necessary to be in strong competition with our adversaries.

Mr. Warnke. Yes.

Chairman McClellan. In other words, we don't have to go so fast in order to keep ahead, that is your contention?

Mr. Warnke. And that in many instances we may actually be weakening our military capability because the unit cost of the new system is so high that we are unable to buy anything like a one-for-one replacement.

TRIDENT SUBMARINE

I know that this is an apprehension which has been expressed by you in the past, Mr. Chairman, and by Chairman Stennis and the Senate Armed Services Committee as well. I think the Trident submarine is a good illustration of that.

The Trident submarine would be a replacement for our Polaris-Poseidon fleet. The Polaris-Poseidon fleet is, as far as I am concerned, the most important part of our triad of nuclear deterrents.

What actually would it give us extra? The important thing, it seems to me, at the present time, is to maximize the range of the submarine launched ballistic missile and the range at the present time has been something in the order of 2,000 nautical miles.

Now the Polaris-Poseidon fleet can be retrofitted with the Trident I missile which gives us a range of 4,000 nautical miles. That is the missile that would initially be deployed in the Trident submarine.

That 4,000-mile range is, of course, a useful factor in increasing the deterrent efficacy of our nuclear submarine deterrent. But the cost of the Trident submarine is now estimated to be something like $1.3 billion each and we estimate now, the proposal is, that some 10 of these submarines would be procured initially.

Senator Young. I understand the first 10 Polaris-Poseidon submarines could not be retrofitted as you suggested.

Mr. Warnke. The first 10 of the Polaris submarines, that is correct. The plan has been eventually to phase out those 10 and to equip the other 31 with the Poseidon missile.

Senator Young. We are down to 31 then.

Mr. Warnke. No, because I think long before those submarines become obsolete and unserviceable we could have a follow-on submarine that would make more sense than the Trident.

I think the Trident is the wrong weapon at the wrong time. It does not give us anything effective in the way of incremental capability. I believe that that program should be eliminated and research should continue until we are at the point at which we can determine the best follow-on submarine.

For example, in the current budget request the Secretary of Defense has proposed that initial research be done on a smaller submarine which would contain the so-called Narwhale propulsion system.

Now that submarine might be a more appropriate replacement but we don't have to decide that at the present time.

We don't know at the present time what the dimensions of the threat might be in antisubmarine warfare. What concerns me is that we may be building at immense expense a weapon that will be obsolete by the

time it is deployed and certainly not the optimum replacement for the Polaris-Poseidon submarine.

Senator YOUNG. You may have a point that we are going too far too fast on research and development of new weapons but the Trident is a good example of where we already have spent approximately $1 billion on research and development.

This and other weapons like the F–14 you would abandon? This is a costly business when you develop something that is modern and then abandon it.

Mr. WARNKE. Yes, but it is more expensive if you continue with the full program and then conclude it is the wrong program. In many instances you can continue on a more modest basis. Perhaps it is too late to stop construction of all Trident submarines. Maybe one or two ought to be built but there is no reason to continue with the full program at a time when we don't need it and when we don't know whether it is the best weapon system to deploy.

Senator SYMINGTON. Would the Senator yield?

Senator YOUNG. Yes, I yield.

ARMED SERVICES COMMITTEE INVESTIGATION OF TRIDENT

Mr. SYMINGSTON. As a matter of interest on the Trident because of some other things I would later ask about, a subcommittee of the Senate Armed Services Committee had looked into the Trident in detail 2 years ago, and recommended unanimously against its acceleration into production prior to normal prototyping.

When it came before the full committee under heavy lobbying, and despite the fact this new submarine, going in, would cost $500 million apiece more than the most expensive nuclear carrier, the recommendation of the subcommittee was reversed and lost through a tie.

They found another Senator who had not been at the meeting. He voted the Trident acceleration be killed.

Then another Senator changed his vote so the recommendation of the one subcommittee that really studied the matter lost again on a tie. When it came to the floor of the Senate it passed primarily because of statements reportedly made by Secretary Packard and Admiral Rickover.

LESS EXPENSIVE SUBMARINE CONSIDERED

Since that time, realizing the cost of the submarine, $13,500 million going in for 10 ships, the Joint Atomic Energy Committee, of which I am a member in fact chairman of the Military Applications Subcommittee, recommended a new and less expensive submarine research and development effort because of the gigantic cost; also because of the fact that a retrofitted Poseidon can throw the 4,000-mile missile; which means you and I are paying $13,500 million more for 2,000 more miles, incredible as that may seem.

When this matter came before the Department of Defense they also approved research consideration of a less expensive submarine on the grounds it was all getting pretty punitive for the taxpayer. That, however, was unanimously rejected by the subcommittee of the Armed Services Committee which originally went against the Trident. So it all gets very involved.

We have now canceled the money to be put up for research on the less expensive submarine recommended by both the Atomic Energy Commission and the Department of Defense.

Senator YOUNG. I realize that the Trident has been somewhat controversial with the Armed Services Committee. But it has been authorized and the Congress without much opposition provided funds for long leadtime items.

Chairman MCCLELLAN. The witness feels that it should be stopped. That is his testimony. My concern at the moment is not whether it should or should not be stopped. The point I wanted to focus on for a moment is with any new weapon you undertake to procure, especially something like the B–1 or the Trident, before that weapon is ready for procurement, new technology or a new discovery may make it not the best weapon that could be procured.

NEED FOR WEAPON READINESS

The trouble with it is that you can't just go buy something off the shelf. You have to experiment. Somewhere along the line you have to make a decision.

The question then is this: Are we going to go ahead and procure it or are we going to wait several years and still not have this weapon?

Our present technology is the best we know at the moment, but before we get the weapon 5 years from now, there may be something else much better. That is the great problem with military procurement, isn't it?

Mr. WARNKE. It is certainly a very severe problem.

Chairman MCCLELLAN. A lot of it involves risk.

Mr. WARNKE. I think in many instances you find that you are building a weapon that is no longer the best and that the state of the art enables you to build. That is unavoidable.

There is no way to prevent that. One thing you can do is determine whether or not, when the time comes that you must take that decision, you will need a new weapon of this sort 5 years from now.

SECURITY AND THE TRIDENT SUBMARINE

I am saying 5 years from now I can conceive of no way in which the Trident submarine will make us more secure than if we don't have it. We will be fully secure with the Poseidon fleet.

Chairman MCCLELLAN. We will be stronger militarily with it than without it?

Mr. WARNKE. I think that is correct.

Chairman MCCLELLAN. Unless that is true, then we certainly should not procure it.

Mr. WARNKE. I think that the Congress ought to take a good hard look as to whether the remaining nine—I think one of those submarines is at the point at which stopping its production would be uneconomic, but I think the Congress should determine whether the other nine should be built at this time.

Chairman MCCLELLAN. The Congress has already determined that through authorization legislation.

Mr. WARNKE. Yes.

Chairman McClellan. I don't know whether it has determined the whole nine. The first three have been authorized.

Senator Symington. I would perhaps correct a statement.

There was no effort to cancel out the Trident when it came up originally. The original proposition of the committee that looked into it, the only subcommittee that investigated it really thoroughly, was not to expedite it, not rush it, to take it more along the lines of the "fly before buy" concept we had been told had been developed.

F–14 CONTRACT RELATIONSHIP

In this connection we have heard some talk about the F–14. Without getting into details, putting it mildly, Mr. Chairman, the Armed Services Committee was shocked by the revelation as to the nature and degree of the contract relationship re the F–14 the Navy had gotten into. This is now being studied in considerable detail in Senator Cannon's subcommittee.

Without taking more time of the committee, if in order, I would ask to place in the record a memorandum of May 28 to Senator Stennis from Messrs. Foster and Cromwell of the staff incident to the F–14; also a letter of May 29 written to the Deputy Secretary of the Navy, Mr. Clements by the chairman of the Tactical Air Subcommittee, Senator Cannon.

CORRESPONDENCE

Chairman McClellan. They may be placed in the record at this point.

[The information follows:]

37-199 O - 74 - 4

MEMORANDUM

May 28, 1974

TO: Senator Stennis

FROM: George Foster and Charles Cromwell

RE: F-14 Financial and Contracting Problems

This memorandum is to provide you with information regarding current financial and contracting problems with the F-14 program.

-- The contractor will not agree to execution of the signed FY 1974 contract until some continued financial support arrangement is made.

-- A key issue in the Congress supporting the F-14 program in FY 1974 was that a contract agreement had been signed by the contractor and the Navy. A Navy legal counsel now states that by virtue of the explicit conditions under which the contract document was signed, it was not then, and still is not today, an enforceable two-party agreement. Navy personnel have said that the "Byrd-Proxmire amendment" limiting advance progress payments to $25 million without Congressional approval was the reason for Grumman later refusing to execute the FY 1974 contract.

-- The Navy advises that Grumman will require up to $125 million in financial support in the form of advance payments during the next two years.

-- The Government has currently made advance payments of about $42 million to Grumman under the original advance payment agreement that covers FY 1973 and prior contracts.

-- The Navy has proposed two alternative resolutions to this financial and contracting problem to OSD:

(a) Allow funds from the contract for F-14 aircraft with Iran to be used as financial assistance to Grumman. A banking group will also provide a line of credit to Grumman contingent on a U.S. Government guarantee to resume advance payment support if anything happens to the Iranian agreement.

(b) Provide a new advance payment arrangement with Grumman whereby the Government will continue its complete financial support.

-- The Navy has advised that they have suggested to DOD that the financial arrangement finally selected be submitted to Congress for approval prior to execution. We have not confirmation from DOD that this will be submitted to Congress prior to execution.

-- It must be pointed out that since the Iranian contract for F-14 aircraft is between the Navy and Iran, any dilution of progress payment funding that is normally held back to pay for aircraft deficiencies in delivery, could result in a U.S. Government responsibility to either fund the correction of deficiencies or attempt to get Grumman to accept some responsibility for these corrections.

-- Navy personnel also state that current projections indicate Grumman will be able to build the 50 F-14s in the FY 1974 contract somewhere around the target price, well under the ceiling, so that contract is not a cause for Grumman's cash flow problems.

-- The Navy did not advise the Committee at any time during testimony on the FY 1975 budget of the existence of those problems or of the fact that the FY 1974 contract had not been executed.

LETTER FROM HOWARD W. CANNON

May 29, 1974

Honorable William P. Clements, Jr.
Deputy Secretary of Defense
Washington, D. C. 20310

Dear Mr. Secretary:

I am writing you to request information on the status of the F-14 program. As you will recall, this fixed price incentive contract was negotiated between Grumman and the Navy in the August 1973 time period and was agreed to and signed by them last September. Based on having this fixed price contract in existence at that point in time, I offered an amendment on the floor of the Senate to the FY 1974 authorization bill, which restored full funding to the F-14 procurement for that fiscal year. That amendment was accepted by the Senate and the F-14 program later received full appropriations.

Now I am informed that that contract has not been executed to put it officially into effect, and that Grumman is proceeding with long lead effort on those 50 F-14s with contractual coverage under an amendment to the prior F-14 contract. It is my understanding that Grumman refused to accept this contract in January 1974 unless the government would provide a guarantee of financing through additional advanced payments on the Fiscal Year 1974 contract, in addition to the advanced payments already outstanding on the prior F-14s as discussed in our hearings last year.

The so-called "Byrd Proxmire" amendment to the FY 1974 authorization bill requires that the Congress be notified of all contracts where advance payments in excess of $25 million will be made. This would appear to place a requirement on the Defense Department to notify

us about the pending financial assistance to be provided to Grumman. It is my information that this currently is about $42 million, it will reach a maximum of about $125 million by the middle of 1975, and will decline thereafter.

I also am informed that the Navy's most recent analysis of Grumman's likely performance on the FY 1974 F-14A contract indicates that Grumman will come close to producing the planes at target cost and that it is highly unlikely that the company will approach the ceiling price or sustain a loss on that contract.

None of the foregoing information was provided to the committee during hearings on the FY 1975 authorization request, either by Navy or Defense Department witnesses. I believe that this situation regarding the FY 1974 contract and the need for approval of continuing advanced payments should have been brought to the attention of the committee as we considered the F-14A program for the upcoming fiscal year. Accordingly, I would like to be informed in writing of what the precise situation is with respect to the status of the Grumman contract, the projections for advanced payments, and when the Defense Department will be notifying the Congress of the requirement for these advance payments. I would greatly appreciate receiving a reply before the committee takes the authorization bill to the Senate floor next week.

Sincerely,

Howard W. Cannon
Chairman, Tactical Air
Power Subcommittee

BYRD-PROXMIRE AMENDMENT

Senator SYMINGTON. Apparently the so-called Byrd-Proxmire amendment has been nullified, which said that advance payments could not be made in excess of $25 million on any contract without coming back to the Congress. Already the advance payments are made up to $42 million.

Chairman MCCLELLAN. I think that is a question that the Armed Services Committee could look into. They have control over it.

Senator SYMINGTON. They are going into it. Inasmuch as there has been considerable discussion of the F–14 this morning, I thought the Chair and the committee might be interested in this late development.

Chairman MCCLELLAN. I hope that the Armed Services Committee will inquire why they are not conforming to their understanding of the law as the case may be.

Senator SYMINGTON. That is the purpose of Senator Cannon's letter to the Deputy Secretary of Defense.

Chairman MCCLELLAN. You may proceed, Mr. Warnke.

Mr. WARNKE. As I have indicated, Mr. Chairman, we have in our report mentioned a number of the specific programs that we think warrant the examination of Congress and the reexamination by the Department of Defense in the light of the need that I think we all feel for some sort of reductions in our Federal expenditures.

B–1 BOMBER REDUCTION

We mentioned, for example, the B–1. I think that the B–1 is another case of a program that is before its time and its time probably will never come.

Now, what that does too is to constitute a replacement for a part of our nuclear deterrent triad, namely a manned bomber that is capable of carrying nuclear weapons.

At the time that the B–1 was designed it was felt that the optimum capability for an armed manned bomber for the future would be low-level speed with the idea that this would give them maximum penetration capability.

I think that again events have outraced that decision and that the fact is that a replacement bomber for the B–52 probably should be configured quite differently from the B–1.

The B–1 as you know has now gone up well over $60 million per unit and I think that it will not stop there. One of the difficulties with it is that it incorporates the same sort of capability as the F–111–B, namely the variable geometry wing, which is very costly and which does result in many instances in excessive weight and excessive costs.

Now the idea was that the B–1 would be able to come in low underneath the Soviet radars and penetrate Soviet air space in order to be able to hit Soviet targets.

I think that we have found that the missile technology, both from the standpoint of defense and from the standpoint of offense, is now much more important than we thought it was going to be and that the offensive missiles are capable of shooting down low-flying planes

regardless of speed and that also with the air-to-surface missiles we have a standoff capability which is greater than was anticipated.

We believe that the B–1 program should be examined with a view toward determining whether this sort of plane is the kind of plane that should replace the B–52 or whether we should have instead a standoff bomber with more in the way of payload.

But in any event that is a decision that needs not be made immediately. We think that research should go ahead with regard to the question of what is the optimum replacement bomber for the B–52 which will be perfectly serviceable well into the 1980's.

F–14 REDUCTION RECOMMENDED

Now mention has also been made of the F–14. I think this is an illustration of the fact that in many instances we don't tell our military people what it is for which they should prepare. The F–14, like the F–111–B, was designed for the fleet defense role. It is equipped with the Phoenix missile which can stand off at a very long range and shoot down incoming bombers that are attacking the carrier fleet.

Now, I think that is an unrealistic scenario. It is highly unrealistic to think that we are going to have a protracted conventional war at sea with the Soviet Union.

POSITION ON F–111–B

Chairman McClellan. Mr. Warnke, didn't you support the F–111–B at the time the Defense Department, when you were there, wanted to continue the F–111–B program and when the Congress finally stopped it?

Mr. Warnke. And I have made many other mistakes in my past also, Mr. Chairman.

Chairman McClellan. I mean you did at that time.

Mr. Warnke. I did at that time.

Chairman McClellan. That was a mistake.

Mr. Warnke. More mature reflection has persuaded me in the circumstances of the nuclear age it is unrealistic to prepare for a protracted war at sea, that is correct.

Chairman McClellan. The point I am making is that you were mistaken then; you may be correct now.

Mr. Warnke. I may be correct; I may be mistaken now.

Chairman McClellan. These are the problems we have.

I accord to everybody absolute sincerity in these differing opinions. Of course, when it comes time to make appropriations, we have to try to resolve them. That is why I said this morning I so much welcome you here.

I think we need your report. I think we need these different viewpoints so that we can use our best judgment when the time comes to act.

Mr. Warnke. I certainly can make no claim to infallibility. I am supported in this instance, however, by a number of people whose judgment I respect and who, in many instances, have far more experience in the defense procurement field than I have.

NUCLEAR PROLIFERATION

I believe also I might say in my own defense that defense needs change, that there are changes in circumstances that require a reevaluation of what you previously figured were the likely contingencies.

I think we have become increasingly aware of the fact that the overriding circumstance today is the availability of nuclear weapons—an availability which tragically is becoming greater and greater.

ASSESSMENT OF THREAT

I think that the explosion by India of an atomic device could very well lead to further proliferation. In any event, since both we and the Soviet Union do have nuclear weapons which are capable of destroying one another's society totally, I don't believe that it is realistic to contemplate a protracted conventional war between the United States and the Soviet Union. I believe that what we have to have instead are the forces which in the first place will deter both conventional and nuclear attack and second will give us the ability to respond to any sort of limited conventional attack by the Soviet Union.

I do not think that there will be an all-out attack by the Soviet Union on either us or those allies whose security is integral to ours. I agree with Secretary Schlesinger, who, in his posture statement, has said that that contingency is highly unlikely.

I think it is highly unlikely. We do have, however, to be prepared in the event that given some kind of international crisis the Soviet Union might feel that some sort of limited aggression for a limited purpose might be successful and we have to have the conventional forces to respond to that.

NUCLEAR AND CONVENTIONAL STRENGTH

If I might refer to Senator Young's comment about relative emphasis on nuclear as against conventional strength, I would not agree, Senator Young, that Secretary McNamara built up nuclear power at the expense of conventional power. I think that his feeling was that the doctrine of massive retaliation was an unrealistic doctrine and that no potential aggressor would be deterred by the idea that in the event he launched a limited conventional attack we would respond with a strategic nuclear attack.

Instead of that we had to have adequate conventional forces.

NEED FOR CONVENTIONAL FORCES

Senator YOUNG. He talked much the same as you are today. You talk about use of nuclear power. You don't talk about conventional war. The conventional wars are the only type we have been involved, for example, Korea, Vietnam. In the Middle East the Russians provided better weapons than we did. Aren't you interested in building up modern conventional weapons?

Mr. WARNKE. I certainly am, Senator Young. I think our report makes that very clear. I agree with you that you can't neglect conven-

tional armament because of the fact it is unrealistic to expect that you can deter all conventional attacks with nothing but nuclear arms.

Senator YOUNG. I remember Secretary McNamara's statement when he talked about few professional soldiers. He wanted to do away with the Reserves. He put little emphasis on conventional warfare.

Mr. WARNKE. That certainly is not my recollection of the positions he took, Senator Young, but I am sure that Secretary McNamara can defend more accurately than I can.

Senator YOUNG. My memory is pretty good.

Mr. WARNKE. He endeavored to build up the conventional strength of NATO and put great emphasis on that. I do know from personal experience that he endeavored to persuade NATO forces they could not rely exclusively on nuclear weapons, that was an unrealistic policy.

Senator YOUNG. Twenty years ago when I was in Europe with Senator Ellender he had a 2-hour argument with John J. McCloy about all the troops over there and the argument is still going on.

I think you supported it when you were Assistant Secretary.

Mr. WARNKE. I think you will find that our report says that we still feel that the maintenance of the conventional capability in Europe is the No. 1 defense priority of the United States. I feel that way very strongly.

Chairman MCCLELLAN. Proceed, if you have something further.

DEFENSE RELATION TO FOREIGN POLICY

Mr. WARNKE. I would like to refer, if I might, in a little more detail to the question of tying our defense policy and our defense structure to our foreign policy. I think that we would find on an examination of our force structure at the present time that we are still equipped and are continuing to equip ourselves to deal with military contingencies that in our national interest should never involve the use of our armed forces.

I think we have recognized, for example, the use of American military power to try to influence political developments in foreign countries is unwise, unproductive, in fact is disastrous. I think we ought to recognize that American intervention in any sort of regional conflicts or local fights only risk escalation of that conflict with greater tragedy to the initial combatants and also possible involvement of the Soviet Union.

I think if we took a look at our force structure in terms of the quite limited though absolutely essential uses of American military power that we could bring about far more substantial reductions than those which we are proposing at the present time.

In our proposals we have assumed no change in the basic premises of our defense policy but I think that the Congress ought to launch an inquiry as to just where our national security requires protection at the present time.

I think it is very clear that there is only one power that can menace the United States and that is the Soviet Union. That is the only military power which at the present time and for the foreseeable future can present us with any risk of physical aggression.

NATO COMMITMENT

Chairman McCLELLAN. In a way, that resolves itself down to an assumption that we have no interest anywhere except in NATO, does it not?

Mr. WARNKE. No; I don't believe it does.

Chairman McCLELLAN. What other places? Are there any other places where we should maintain——

JAPAN RELATIONSHIP

Mr. WARNKE. I think it is important, Senator McClellan to see to it that Japan remains comfortable and remains allied with the United States. I think, for example, looking toward the future I would feel very uneasy if there were a move in Japan to remilitarize on a massive basis. I think that that might be more of a threat to world peace than most of the things I can envisage in terms of confrontation with the Soviet Union.

Chairman McCLELLAN. Japan was a greater threat to us than the Soviet Union.

Mr. WARNKE. Not a greater threat to us than the Soviet Union at the present time. Certainly Japan is no threat at all. I think if we pursue a sound policy Japan will never be a threat to us. Part of that sound policy is to be in a position where we can discharge our alliance responsibilities to Japan. From that standpoint I would support the maintenance of the 7th Fleet in the Pacific. I think that makes Japan quite comfortable.

China lacks any sort of amphibious capability which could conceivably threaten them under the present circumstances as long as we have the 7th Fleet or even a fraction of that power.

I think similarly it makes our other island allies quite comfortable. I think this is one purpose of American military power, to preserve a degree of comfort on the part of those who have tied their fate to ours.

I think the remilitarization of Japan and particularly the acquisition of nuclear power by Japan would be destabilizing in the Pacific. It would give the Chinese apprehension, cause great apprehension on the part of the Soviet Union, and certainly those who were the victims of Japanese aggression in World War II would begin to have, not nostalgic but quite unpleasant recollections of what happened in the past.

So there are purposes I feel of American military power. But I believe that a budget of something like $87 billion for fiscal 1975 would adequately meet any of the requirements that American military power might have to fulfill.

OTHER AREAS REQUIRING PROTECTION

Chairman McCLELLAN. Is there any other area now, aside from the protection of Japan and the NATO obligation, Mr. Warnke, that you have in mind?

Mr. WARNKE. I think that we are very interested in world peace, but I think that we have reason to know that American military power

is not the best way or even not an appropriate way of trying to preserve world peace, that our military forces can't keep local dissensions and local hostilities from breaking into warfare.

Chairman McClellan. But you point out that it is necessary in the Pacific and in the Japan area to have military forces to preserve peace.

Mr. Warnke. I am saying as far as the Pacific is concerned we have brought Japan to depend upon our military strength to protect Japan and that the withdrawal of that military strength would require Japan to do it for themselves.

Chairman McClellan. I am in full agreement about Japan. I am trying to explore the other areas. You say we ought to be prepared to support NATO.

Mr. Warnke. That is correct.

Chairman McClellan. And we ought to be prepared to protect Japan to keep her comfortable, using your expression.

Mr. Warnke. That is correct.

Chairman McClellan. Where else? Of course everybody wants world peace. We all want that. Now where else will the military play a part? Where else should we be sure that our military is adequate to play a part in world peace besides these two areas?

Mr. Warnke. Apart from those areas, Mr. Chairman, I can think of none in which the United States ought to be prepared to go to war.

Chairman McClellan. No other areas except those two areas.

Mr. Warnke. The intervention of American military forces in any other area is something that is beyond my imagination to conjure as being useful.

Chairman McClellan. You may be correct. I am trying to narrow this down so that we can see what is our national interest in different parts of the world and where we ought to keep our military forces in readiness to protect that interest. And these are the two areas.

HEMISPHERIC PROTECTION

Mr. Warnke. Basically that is correct. Fortunately in most of the other areas there is no military threat. Certainly as far as South America is concerned, for example, there is no outside threat to South America at the present time. They certainly have security problems but they are self-generated and internal.

Chairman McClellan. I think we could agree that this could be said without much controversy or contradiction: if we are prepared to defend ourselves, we are also largely prepared to defend South America.

Mr. Warnke. I think necessarily that our self-defense capability would also protect the rest of the hemisphere from external aggression. Obviously we have a distinct interest in the Middle East.

FIGHTER CAPABILITY

Senator Young. Before you leave that could I ask this question? I believe you advocate keeping the 7th Fleet in the Far East. Do you believe that the planes on the 7th Fleet are equal to the fighter planes that Russia has such as the Foxbat?

Mr. WARNKE. Yes; I believe they are. I think also the planes that the Navy has on the drawing board such as the VFX, are a more appropriate replacement for the F–4 than the F–14 would be.

Senator YOUNG. When will the latter one be available to the Navy?

Mr. WARNKE. It depends on what you do with the F–14. I think if you abandon the F–14 program within a period of a relatively few years you could have a VFX.

Senator YOUNG. By the time we get the VFX ready for production we would have the same witnesses wanting to abandon that one.

Mr. WARNKE. You might have other witnesses, Senator Young. You would not have me.

DIEGO GARCIA

Senator CASE. Mr. Chairman, on this point, you were just talking about the 7th Fleet and a kind of extension of that is put forth by the Defense Department as an enlargement of the communications refueling center at Diego Garcia.

As related to your concern, and I agree entirely with your concern about Japan, its reliance upon us, the desirability of not putting it into a position where it might feel it had to flex its muscles in order to get the fuel it would like to have to further its economy, what do you think about Diego Garcia?

Mr. WARNKE. I am troubled by the proposal on Diego Garcia, not so much about the initial proposal but because of what it might do for the furture.

I would be concerned about it as being the opening wedge toward the development of an Indian Ocean fleet which I think would be terribly expensive and not important for American national security. I think that instead of that what we ought to do it to try to bring about the virtual military neuralization of the Indian Ocean.

Now this is not a novel view. It is one which has been advocated by the present administration in the past. I would hope that they would not change that position. Assistant Secretary of State Joseph Sisco, for example, testified back in 1970 that he could see no vital national security interest that would require a military presence by the United States in the Indian Ocean.

What I am afraid of is that every time we make a military move like that it invites the Soviets to respond and we could engage in a very costly and absolutely futile naval competition in the Indian Ocean.

Now, I don't think that our national security requires the maintenance of our presence there.

I am not impressed by any of the arguments which have been made in that respect. Some point, for example, to the fact that the Soviet Navy has more sailing days now than it had some years ago. That may be true. Then we have to recognize that the Indian Ocean constitutes one means of communication between the eastern part of Russia and the western part of Russia.

We don't have that communication problem of course.

SUEZ CANAL

Another argument which has been made is that the opening of the Suez Canal may mean that more Soviet vessels of war will pass through the canal.

I would agree with Senator Jackson's proposal that what we ought to try to do is to restrict the use of the Suez Canal as a conduit for naval vessels.

I would think also in the event of any serious friction or any prospect of an outbreak of actual hostility that the Soviet Union would feel it had to bring its vessels back from the Indian Ocean because the Suez Canal could be closed much more easily than it is being opened.

But I am primarily concerned about Diego Garcia being perhaps the camel's nose under the tent for the creation of and the maintenance of an additional carrier force.

NAVAL CARRIER FORCE

The Navy had planned initially to cut down from 15 attack carrier forces to 14. They had announced plans for eventual reduction to 12. Eventual reduction to 12 carriers would leave us in a position where we could discharge all of our defense commitments, in my opinion more than adequately, and the elimination of those three carrier attack forces would save us millions and potentially billions of dollars.

So, I don't feel that we ought to open up another area for American naval presence because that will mean just more expense without any gain in national security and perhaps even with some sacrifice of our national security.

MIDDLE EAST OIL AND SEA-LANE PROTECTION

Senator CASE. What about this case where Japan relies on us to protect its sea lanes to Middle Eastern oil?

Mr. WARNKE. I think the first response I would make to that is what is the threat to their sea lanes at the present time? And is it realistic to anticipate that the Soviet Union would in fact embark on anything so provocative.

It is after all an act of war to interfere with international shipping. I can't conceive of the circumstances which would lead them to that sort of imprudent action. Not only that but in the event they were to try to interfere with the sea lanes they could do so far more effectively in areas other than the Indian Ocean.

As I have indicated before in the event they were to deploy their fleet or a large part of their fleet there for that purpose they certainly could be very severely punished for it by closing the Suez Canal and trapping their ships there.

So I don't think that it is a realistic apprehension.

In the event that that sort of situation were to develop, certainly at that time it would be possible for us to take the necessary action to respond to it. We are maintaining after all very very substantial naval strength.

Chairman MCCLELLAN. Would we presume to close the Suez Canal?

Mr. WARNKE. Under the circumstances that Senator Case and I have been in discussing I think we would certainly contemplate it.

Chairman McClellan. Of course, it has been closed. Now we are contributing to some of the cost of reopening it.

Mr. Warnke. Yes, we are.

Chairman McClellan. I don't know whether those who are in charge of the canal, Egypt, might want to close it or not want to close it. We could not just say it had to be closed. We would have to put our ships there and say, "Nothing will pass through."

Mr. Warnke. We were talking, Mr. Chairman, about what I regard as a highly unlikely contingency, which is the use by the Soviet Union of its naval power to impede the sealanes in the Indian Ocean. Now if they are engaged in that sort of act of war, obviously we have to contemplate unusal and stringent measures. I would hope that the relationship which has been established with Egypt would permit us to use diplomatic means to bring about the closing of the canal under those circumstances. If not, we certainly have the naval strength and the air strength to see to it that it will not be used for the passage of Soviet vessels engaged in acts of war.

MIDDLE EAST INVOLVEMENT

Chairman McClellan. Let me ask you this question. I am trying to make the record clear. You have pointed out that there are two areas, our commitment to NATO and our commitment to protect Japan, and those are the only two areas I believe you said where we have a national interest that would warrant our readiness—I say "readiness"—to intercede in any military difficulties.

In connection with whatever you may have said in respect to those two areas, what about the Middle East? Do we have such an interest in the Middle East, as you see it at the present, taking into account, as you say, the presence or lack of presence of any threat? Do we have an interest in the Middle East now that would require a military readiness to intervene there?

Mr. Warnke. I do not believe that our national interest, which is, I think, quite extreme, quite real, can adequately be protected by American military intervention in the Middle East. I think we have to distinguish two things: First of all, those areas in which we have a national interest; and, second, those areas in which that national interest can be effectively safeguarded by the use of American military force.

Now in referring to NATO, to Western Europe and to Japan, I was referring to areas in which American military force can play an effective role in protecting our national security interest. I think in the Middle East we have to rely primarily on diplomacy. Fortunately the results in recent months have been quite good. I think this is a far more effective way of protecting our interest in the Middle East than an effort to intervene there with military force.

Chairman McClellan. Diplomacy is a far more preferable way——

Mr. Warnke. Sometimes it is the only way.

Chairman McClellan [continuing]. In preserving peace than war, of course.

Anyway, we are trying to determine what the military needs are for our national security and national interest, wherever it may be, and wherever we need to protect it. I was trying to determine whether

in the Middle East we have such an interest that we ought to keep a military presence. Of course, we would also have to keep it there as part of NATO, it seems to me.

Mr. WARNKE. That is correct.

MILITARY PRESENCE IN MIDDLE EAST

Chairman McCLELLAN. Would not the Middle East interest also be a factor that would persuade us to keep a military presence there?

Mr. WARNKE. If I might answer that, Mr. Chairman, in this way. Let us try to envisage the kind of circumstances that might lead to consideration of the use of American military forces in the Middle East. We have interests there, obviously. We have friends there, we have friends on both sides of the festering conflict. Israel is a friend, also many of the Arab States are friends of the United States. Not only that, but many of them provide a very essential source of supply of energy under the present circumstances.

So that we certainly have an interest in peace there. Right now there has been war in the Middle East frequently in the past several years. I can't conceive of circumstances under which that situation would have been improved by the United States intervening militarily. I think for the United States to go into the Middle East and start shooting Arabs would be perhaps most disastrous. What it would do is bring in the Soviet Union on the side of the Arabs and risk the ultimate military confrontation.

Chairman McCLELLAN. I don't mean that we should establish military forces there. I agree with you on that. But suppose another power goes in there and starts making demands, in other words, attempting to dominate the region. Would we have any interest there that would require military strength?

Mr. WARNKE. We would have very definite interest under those circumstances and I think we certainly would have to contemplate the use of military power. I think the Soviet Union recognizes that. I think also they have to recognize that our response would not necessarily be in the Middle East, that we might respond in some area in which they were more vulnerable and in which we were less at a disadvantage.

I could not contemplate with equanimity the use of Soviet military aggression against any country. I don't think we liked it against Czechoslovakia or against Hungary. We had to recognize under those circumstances there were limits to which our concern could be pressed. If that power were applied outside their own satellite area, we would have to view it in the gravest of terms. It would be an indication of an attitude on the part of the Soviet Union that would pose the direct threat to our interests. I think they can recognize that. I think the principal thing that deters them is the existence of our nuclear and conventional military strength. But that could be applied, as I say, in areas outside of the Middle East.

The enemy under those circumstances would not be a Middle Easterner. It would be the Soviet Union.

Chairman McCLELLAN. Would that not be regarded as expanding the war?

Mr. WARNKE. I think the Soviet Union would have to be regarded as having provoked the war under the circumstances. I don't think

that we could look with any degree of toleration on Soviet military aggression. I think were that to occur, we would have to take extreme measures to see to it that that aggression stopped.

DEFENSE AND THE SALT TALKS

Chairman McCLELLAN. After all, today we are carrying on the SALT talks hoping that they will be fruitful; is that right?

Mr. WARNKE. I believe that is correct.

Chairman McCLELLAN. Thus, to the extent that they are productive, we can relax our military effort; is that right?

Mr. WARNKE. Senator McClellan, if I did not feel that it was necessary for us to maintain our military vigilance, I certainly would not be supporting today a budget of $87 billion for fiscal 1975. I certainly would much prefer to see that expenditure substantially curtailed. I regard $87 billion as being a very large figure. I think we have to recognize two things. One of them is that when we talk about Soviet aggression, we do so because that is the only real military threat because they only have the capability.

Now that does not suggest that I feel that they have the intention of launching military aggression against us or against those whose interests are important to us. I would agree with Secretary Schlesinger in his posture statement in which he says the Soviet Union has historically been a relatively prudent and sober power. I think that is true. However much we might abhor their internal controls and their internal repression, externally, apart from Eastern Europe, they have behaved with reasonable prudence.

I think we can expect that for the future. I think also that what we have to recognize is that they necessarily, whatever their desires may be, are constrained by the awesome facts of the nuclear age.

NEED TO MAINTAIN DEFENSE POSTURE

Chairman McCLELLAN. What I am trying to say, and maybe you drew the wrong inference from the way I expressed it, but what I am trying to point up here is that there may be honest differences of opinion as to the extent of that threat, but it is the threat of communism as represented by the military strength of Russia that is compelling us to maintain the military power and posture that we are undertaking to maintain. Isn't that true?

Mr. WARNKE. That is true. I think we have also to recognize that, even if we were to conclude that there is virtually no likelihood of the use of Soviet military power, we have to be concerned about the perceptions of our allies. In other words, it is not enough that we be confident. It is also important that Western Europe be confident.

Western Europe at the present time is not confident that they are safe from Soviet attack. I think it is very important that we see to it that we maintain our alliance with Western Europe because, of course, of the economic, cultural, and other ties that we have.

ARMAMENT RACE

Chairman McCLELLAN. I understand that. The tragic situation in the world today, frankly, is that there is more or less an armament

race between the two major powers, Russia and the United States. If the SALT talks could be productive to the extent that the two major powers could agree on a level of armaments that would give each protection against the other and yet not permit either one to be successful in any ambitions to exploit other countries—in other words, to conquer other countries and dominate the world—if these two main powers could so agree, then we wouldn't have to exert so much of our own resources to military power.

Mr. WARNKE. That is true. That is why I think we have to hope that we can reach some sort of accommodation with the Soviet Union.

Chairman MCCLELLAN. We have to continue that effort. We also have to continue to be prepared militarily until that hopeful result is obtained.

Mr. WARNKE. What I am suggesting, Mr. Chairman, is that we can do that at a level far less than the proposed 10-percent increase in the defense budget.

Chairman MCCLELLAN. I understand your position.

Mr. WARNKE. I think one of the risks we run is the fact that sometimes in negotiating with the Soviet Union we feel that it is necessary to make expenditures which have no military efficacy and that sometimes as bargaining chips we embark on programs that don't really add to our national security.

Chairman MCCLELLAN. Senator Young.

U.S. RELATION TO MIDDLE EAST

Senator YOUNG. I was not quite clear on what you said about our military forces, in the Middle East. We didn't intervene with military forces, but if we had not sent a lot of equipment over there, the Israelis might well have been defeated. As I understand it, from the information I get, about half of their air force was knocked out in the first few days and many of their tanks were knocked out.

This is intervention in a way. If we had not provided these modern weapons in adequate supply, Israel would have been in deep trouble. Presently part of our problem is to replenish, resupply our own forces with equipment taken from them and supplied to the Israelis.

Mr. WARNKE. There certainly can be no disagreement on that statement, Senator Young. I endeavored to qualify my comment in terms of our direct military intervention with military forces, which I regard as being counterproductive in the Middle East. That would bring about an escalation in the scale of fighting so that Israel would be destroyed even if we were victorious.

I do support the sending of military equipment to American allies that need it. I think under the circumstances of the October war that certainly we were justified in re-equipping Israel to make sure she could defend herself. It was important for Israel and for us.

CLOSING OF SUEZ CANAL

Senator YOUNG. If we decided to maintain or increase our military strength in the Middle East, it would be a simple matter to close off the Suez Canal. They closed off Berlin by closing the roads. We had

the airlift to supply Berlin. If they said that they were going to close the Suez Canal, they could do it easily unless you wanted to get into a war with them.

Mr. WARNKE. It has been done before and I think we have been able to survive with the Suez Canal closed. It handicaps the Soviets more than the United States.

Senator YOUNG. But they could do it if they wanted to.

Mr. WARNKE. I think their relations with Egypt at the present time are fortunately less warm than they were in the past and our relations with Egypt are warmer than they were in the past.

Chairman MCCLELLAN. Have you finished? I have just a few questions.

NATIONAL SECURITY RISKS

Mr. WARNKE. I had one other comment I wanted to make, Mr. Chairman.

I think in terms of our national security that we have to begin to concentrate on some of the risks that I think are far greater than the risks of Soviet aggression. I personally and as an American have concern about the proliferation of nuclear weapons and about the fact that fissionable materials may fall into private and irresponsible hands.

I think if an American city is destroyed in the 1980's, it won't be by a Soviet or by a Chinese missile, but it will be because some sort of atomic device has fallen into the hands of fanatics or terrorists.

Chairman MCCLELLAN. You are talking about internal security now?

Mr. WARNKE. I think what I am talking about is safeguarding nuclear materials. One of the reasons we have to be concerned about it is the fact that, as indicated by the Indian atomic explosion, there may be instances in which many other countries acquire such nuclear weapons in the future. I think perhaps too little attention is being devoted to this kind of real risk and too much attention is being devoted to the unreal contingencies that in all likelihood will never be a threat.

Thank you, sir.

BUDGET AUTHORITY AND OUTLAYS

Chairman MCCLELLAN. You keep referring to the 1974 budget. I guess you mean the level of expenditures in 1974, do you not?

Mr. WARNKE. In our report we talk in terms of actual authorizations by Congress, not expenditures, but budget authority.

Chairman MCCLELLAN. Let us relate it to expenditures, if we can. According to our records, including those on the supplemental bill, we will have appropriated 179.6 billion for fiscal year 1974. This does not include, of course, the expenditures for fixed costs such as social security and so forth.

Of that, $179.6 billion some $78.5 billion is for defense. Now you speak in terms of constant dollars. What do you mean by "constant dollars"? Do you mean that we should appropriate not to exceed an amount that would be equivalent in dollars to the amount of the 1974 expenditure?

Mr. WARNKE. That is correct, Senator McClellan.

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Chairman McCLELLAN. In other words, would you add onto the $78.5 billion and $179.6 billion, say, 5 percent or 10 percent for increased costs?

Mr. WARNKE. Yes.

Chairman McCLELLAN. Is that what you mean?

Mr. WARNKE. That is what I mean by constant dollars.

Chairman McCLELLAN. So, in following your recommendation, how much should be spent this year for defense?

Mr. WARNKE. I don't have that figure in expenditures, Mr. Chairman. I can get it.

DEFENSE EXPENDITURE RECOMMENDATION

Chairman McCLELLAN. Would you do that and supply it for the record?

Mr. WARNKE. I will.

[The information follows:]

The concept we advocate in our report is that the Congress should set the level of the military budget for fiscal 1975 by starting with the amount of the fiscal 1974 budget enacted into law, add increased costs due to inflation and then subtract a 3-percent economy dividend. Applying this concept to the fiscal year 1975 budget request for the Department of Defense and the military assistance program only, budget authority or appropriations should total $85.1 billion and outlays or expenditures should be approximately $81.4 billion.

The figure on outlays compares to the $78.4 billion you have cited. Of course, our figures reflect the reallocation of fiscal year 1974 supplemental requests in the manner described in our report.

CEILING ON DEFENSE

Chairman McCLELLAN. We are talking about trying to set a ceiling, as I understood it, and I am not saying I oppose it. I am examining it. Such a ceiling would limit defense expenditures—taking into consideration constant dollars—to those made in fiscal year 1974. That is what you are saying, in effect?

Mr. WARNKE. I did it in terms of authorization.

Chairman McCLELLAN. If you can supply that information for our record at this point, I think we can deal better with expenditures than we can with authorizations. It simplifies our task.

PRIORITY REQUIREMENT

Then we could try to make a judgment of where the priorities should be and where that money should go. Is that your idea of the way we should approach it?

Mr. WARNKE. That is my idea, Mr. Chairman, yes.

Chairman McCLELLAN. That is the way I understood your testimony. I believe you said you would also apply that to the other services of Government, to other governmental expenditures.

Mr. WARNKE. Under the present circumstances I would.

Chairman McCLELLAN. I think that is fair. All the reductions can't come out of the military establishment. I want to reduce the Defense Department all we can and still preserve our security, where we will have a deterrent that will be effective. But we can't reduce the military departments and spend the surplus somewhere else and still combat

inflation or reduce the national debt or hold down deficit spending. We can't do it.

If the defense budget is reduced, it should not be spent somewhere else.

FUNDS TO STIMULATE ECONOMY

Mr. WARNKE. I would agree with you. I think in that connection that the Congress ought to determine the extent to which the budget has been inflated for the purpose of stimulating the economy. There has been some suggestion that the defense budget was artificially increased for that purpose.

Senator CASE. Mr. Chairman, on that point can I ask a question?

Chairman MCCLELLAN. Yes.

Senator CASE. This is one of the first things that mystifies me. I have never gotten to the bottom of it. I have some sense that what happened is that the Secretary of Defense said that in his judgment—is this a fair paraphrase—in his judgment if there had not been a regard by OMB of a need to stimulate the economy, that they would have been cut some $6 billion.

Mr. WARNKE. That is correct. In his testimony before Chairman Mahon's appropriations committee on February 26, I believe, he said that if it were not for the desire to stimulate the economy, he would have been prepared to come in with a request for $85 billion rather than $91.3 billion.

Senator CASE. So it was he who said "except for the need to stimulate the economy," the OMB would have told him to do that?

Mr. WARNKE. I think that is correct.

Senator CASE. It goes to the question of whether there were specific add-ons or whether there was just this general comment that OMB would have been tougher.

Mr. WARNKE. His statement, as I recall it, was that he was prepared to come in with a request for $85 billion.

Senator CASE. In other words, an inquiry of him as to the specifics would be appropriate?

Mr. WARNKE. I think that is correct.

MILITARY PERSONNEL REDUCTION

Chairman MCCLELLAN. In order to make the cuts or hold the level of spending to what you suggest, would you think that it would require a reduction in personnel?

Mr. WARNKE. I believe that it should require a reduction in personnel, yes.

Chairman MCCLELLAN. We have a total of 2,194,000 in military personnel. How much do you think we should reduce that total?

Mr. WARNKE. I think certainly a figure of 2 million would be perfectly adequate.

Chairman MCCLELLAN. You would take off 194,000?

Mr. WARNKE. Yes.

Chairman MCCLELLAN. Where would you take that off? The Army has today 784,000, the Navy 549,000-plus. The Marines have 192,000-plus, the Air Force, 669,000-plus. Where would you apply this 194,000 cut to these services?

Mr. WARNKE. As I say, there is no magic in the figure 194. I think we can take out more than that. I would start by taking a look at our overseas deployments.

NATO FORCE REDUCTION

Chairman MCCLELLAN. Let us start with that. Overseas how many would you take away from NATO?

Mr. WARNKE. I probably would make a minor cut in NATO force.

Chairman MCCLELLAN. What is a minor cut?

Mr. WARNKE. Something like 30,000.

Chairman MCCLELLAN. 30,000 from NATO. Would you demobilize those?

Mr. WARNKE. I would.

Chairman MCCLELLAN. You would take them out of the service? That would be part of your cut?

Mr. WARNKE. That is correct. In our report we propose that what we ought to take a look at are the support forces of NATO and actually make a 15-percent cut in total support forces.

Chairman MCCLELLAN. What do you mean by support forces?

Mr. WARNKE. Those other than those who are directly or indirectly engaged in combat.

Chairman MCCLELLAN. You would leave most of the combat forces there?

Mr. WARNKE. Yes; for the time being.

Chairman MCCLELLAN. You believe that in taking a 15-percent cut in the support forces this would leave the combat forces with adequate support?

Mr. WARNKE. Yes.

KOREAN FORCE REDUCTION

Chairman MCCLELLAN. Now let us go to Korea. How many forces would you take out of Korea?

Mr. WARNKE. I would remove all the division from Korea.

Chairman MCCLELLAN. Remove all from Korea?

Mr. WARNKE. Yes, sir.

Chairman MCCLELLAN. And demobilize them?

Mr. WARNKE. And demobilize them.

SOUTHEAST ASIA FORCE REDUCTION

Chairman MCCLELLAN. Southeast Asia, what would you take from there?

Mr. WARNKE. I would certainly eliminate those forces that are being maintained in Thailand for the possibility of reintervention in Vietnam.

Chairman MCCLELLAN. And demobilize them?

Mr. WARNKE. Yes. I believe, Mr. Chairman, unless you demobilize those forces you bring home, you don't really realize much in the way of budgetary savings.

Chairman MCCLELLAN. Where else now? I mentioned NATO, Korea, and Southeast Asia. Do we have forces anywhere else?

Mr. WARNKE. I think at the present time we have something like 520,000 troops overseas. What I am talking about is a reduction——

Chairman MCCLELLAN. Most of those are in NATO, of course?

Mr. WARNKE. About 300,000 in NATO, the others elsewhere. I believe something like 180,000 are in Asia. As our report suggests, we think that the major reductions should come from the Asian forces. I think we have learned again, as we have learned in the past, that it is not really desirable for the United States to equip itself for ground wars in Asia. I doubt that a contingency exists and I doubt that, if it did occur, use of our armed forces would be the way to respond to it.

I think also we ought to be looking toward more substantial reductions in the NATO forces over a period of time.

Chairman MCCLELLAN. I am talking about this year. The fact is that I fully agree with you. I would take out more than the 30,000.

Mr. WARNKE. As I say, that would be as far as I was concerned the first withdrawal. I think that timing is very important, Mr. Chairman, in this regard.

Chairman MCCLELLAN. I agree with you about taking them out of NATO. I am not certain that it would be well to demobilize them, I don't know. I feel that we have done our share and more over there for a long, long time. Anyway, I am just getting this information in general terms. I think you have substantially answered these questions.

WEAPONS REDUCTIONS

Now let us take a list of the request for weapons. Give us a statement of the weapons that you would eliminate that are budgeted for procurement or research. You have probably done it already but I would like to get a summation of it here.

Mr. WARNKE. I would not want you to believe that this list was necessarily definitive or comprehensive. There are some instances in which I think it could be expanded. These are illustrative cuts. What we have endeavored to do in the report is to identify savings that would be more than sufficient to accommodate the $11 billion reduction in the defense request.

Chairman MCCLELLAN. I know, but it takes cuts to do that.

Mr. WARNKE. That's right.

Chairman MCCLELLAN. You have pinpointed pretty well now the personnel you would cut. Now let us take the weapons. You mentioned two or three. Give us a list of the weapons that you wouldn't approve.

TRIDENT AND B–1 REDUCTIONS

Mr. WARNKE. I have already indicated, of course, our feeling that the Trident and the B–1 are unnecessary and do not improve our military security.

Chairman MCCLELLAN. Anything else?

COUNTER-FORCE CAPABILITY REDUCTION

Mr. WARNKE. Another one in the stratgic field would be the additional expenses for counterforce capability.

Chairman MCCLELLAN. Let me see if I have an understanding of that. What do you mean by "counterforce capability?"

Mr. WARNKE. Programs designed to increase the accuracy and yield of our existing strategic nuclear weapons. Things like the so-called MARV, which is the terminally guided maneuverable reentry vehicle.

Chairman MCCLELLAN. You would stop improving those weapons.

Mr. WARNKE. I would stop improving those weapons because it seems to me that destabilizes the strategic balance.

EFFECT OF SOVIET CLOSED SOCIETY

Senator SYMINGTON. The question the chairman asked is very interesting. We live with an open society. The Soviets have a closed society. The recommendation which I opposed in the Research and Development Subcommittee of the Armed Services Committee was that we eliminate any research in what could be called counterforce effort, especially when you consider what you just mentioned, marving and mirving, the same general idea.

If they went ahead in a secret society with their research and we did not, and then they suddenly moved into production which we would find out about, would we not be in a different position if we had done no research in that field?

RESEARCH ABM

Mr. WARNKE. When I am talking, Senator Symington, about cutting programs, I am not talking about stopping advanced research. I feel, for example, we should not continue to deploy antiballistic missiles. I would, however, support advanced research on antiballistic missile defense in the event that the ABM limitations should break down.

I think the same is true of counterforce improvement. I am talking about steps toward actual production and deployment. Thank you for allowing me to make that clarification.

Chairman MCCLELLAN. We have this problem, too, as Senator Symington points out. We have an open society, they have a closed society. Our people know what we are doing, what we are spending our money for, what kinds of research we are engaged in and so forth. In a closed society such as they have over there we are fortunate, I guess, to find out as much as we do by our intelligence efforts. But they can develop a weapon, and can engage in research for a number of years developing a technology relating to a new weapon and they can have it in production before we know about it.

Then we have to start and take 4 or 5 years to catch up, just like we did with the spacecraft. They had it developed effectively before we even started research on it. They could do that with weapons. Moreover, I think we have to continue to put some of these developed items in production. You can't just have a lot of research lying around, for when a war comes along we won't have the weapons with which to defend ourselves.

There is an element of risk in all of this. We can't take the whole risk of saying we will develop the weapon and let it lie on the shelf until something happens. We have to make some effort to produce it.

Mr. WARNKE. I don't disagree with that. I am trying to isolate those weapons of which we feel the production and deployment at the time

is not only necessary, but in some instances is actually against our interests.

Chairman McClellan. I am not criticizing what you have suggested. I just wanted to get it as explicitly on the record as we could.

Mr. Warnke. Yes, sir.

Chairman McClellan. You mentioned three—the Trident, B–1 and counterforces. Any other areas?

GENERAL PURPOSE FORCE EDUCATION

Mr. Warnke. Those are the major areas in the strategic field. I think also that there should be some programs that should be re-examined, either cut back, slowed down or eliminated in the general purpose forces.

Chairman McClellan. General purpose?

F–14 REDUCTION

Mr. Warnke. That is correct. I mentioned, for example, the F–14, I believe also in the naval forces, and our report points this out in some detail, that the procurement of the DD963 ought to be stretched out.

I think there is some real question as to whether that is the best ship for us to be putting our money into at the present time. Instead of that, perhaps what we ought to do is to go for smaller, more maneuverable ships that can carry the advanced sea-to-air and sea-to-sea missiles.

Chairman McClellan. Are there any other specific weapons?

NUCLEAR ATTACK SUBMARINE REDUCTION

Mr. Warnke. We have also proposed in our report that we stretch out the procurement of the SSN–688 nuclear attack submarine. Obviously nuclear attack submarines are important to our national security. However, the Navy has under development a smaller and less costly attack submarine.

We feel that equal capability can be achieved by switching to this new submarine over a period of time.

Chairman McClellan. To the smaller submarine?

Mr. Warnke. Yes.

Chairman McClellan. Anything else?

SAM–D REDUCTION

Mr. Warnke. We have also mentioned the SAM-D, which, as I indicated, was initially designed as a defense against Soviet bombers attacking the United States. It is now being redesigned in order to form an antiaircraft missile system for the defense of the U.S. Army in Europe.

Chairman McClellan. In view of what happened in the Middle East in the recent conflict, they have apparently a superior weapon to ours in the ground-to-air missile, do they not?

Mr. Warnke. I don't think that we know that at the present time. They obviously have an effective one.

Chairman McClellan. Wasn't that pretty well demonstrated?

Mr. WARNKE. It was demonstrated that they had an effective one, that is correct. That doesn't mean that ours is ineffective.

Chairman MCCLELLAN. I didn't say it was ineffective. It seems to me, as I understand it, they had a better one. They developed a better one in that particular field. That may be a small matter, but it illustrates that we have to keep moving. We can't stand still.

Mr. WARNKE. That is correct.

Chairman MCCLELLAN. We can't become static in these things.

Mr. WARNKE. I think it is highly unlikely that the SAM-D is the appropriate missile for this purpose.

Chairman MCCLELLAN. The SAM-D itself may not be very good. I am not arguing about that.

Mr. WARNKE. It started out as a strategic defensive system and it is now trying to be converted into a tactical defensive system.

Chairman MCCLELLAN. I am not arguing about the SAM-D, as such.

Mr. WARNKE. This, of course, is a system which has received a lot of research and a lot of investigation. The reports have been very grim, I think, about its cost effectiveness. I think it is an example of an instance in which we are building the wrong system at the wrong time. The GAO report indicated that we can do better in terms of defense by building a wing of F-15's, which would be optimized for the interceptor role and that would be less costly and more effective.

ECONOMY PRIMING FUNDS

Chairman MCCLELLAN. There is one other matter. Senator Case made reference to it and you discussed it briefly. Do you find in this budget some $5 or $6 billion that is there primarily not for defense, but to prime the economy? Do you find any money in the budget for that?

Mr. WARNKE. I would not be able to identify where that money is. As I said, I am referring to the statement made by Secretary of Defense Schlesinger in which he indicated his request would have been some $6 billion lower.

Chairman MCCLELLAN. You can't identify it?

Mr. WARNKE. It would be impossible for me to identify it without more detailed knowledge of the budget.

Chairman MCCLELLAN. I am interested in it. If it is in here, I want to know where it is and why. I am not saying I oppose all of it, but I do want to know where it is. I want to find that out if I can before this committee starts marking up. I think this committee wants to know it. We will pursue that matter a little further. I was just seeing if you could be helpful.

Mr. WARNKE. I am sorry, I wish I could, Mr. Chairman, but I cannot.

Chairman MCCLELLAN. I am going to defer now to my colleagues. I don't mean that I have asked all the questions that have come to mind. If there are other questions that occur to me that I think are important, will it be all right if I submit them to you by letter and have you answer them for the record?

Mr. WARNKE. I would welcome that, Mr. Chairman. In fact, I would be appreciative if you would do that.

Chairman MCCLELLAN. In that case we might not have to call you back. I think that will take care of it.

Now I yield to my colleagues here. Do you have any questions, Senator Young?

Senator YOUNG. I have some questions that I would like to have answered for the record, Mr. Warnke.

Mr. WARNKE. Yes, sir.

[The questions and answers follow:]

NATO REDUCTION

Q. You state on page 16 that there is no "diplomatic purpose for maintenance of all our present 300,000 troops in Europe indefinitely." Yet the facts are that our NATO Allies have repeatedly emphasized their extreme sensitivity to any variation in our troop presence in Europe because they regard that presence as a barometer of our determination to support European security. In addition, while we have never stated that our current troop levels will necessarily be maintained *indefinitely*, the maintenance of these levels does represent a U.S. commitment to NATO in the near term. In view of these facts, on what grounds do you support your assertion?

A. My own experience has been that our NATO allies worry about any reductions in our troop presence in Europe because they fear it may be the beginning of virtually complete American withdrawal. The present number of our troops in Europe is however a historical accident, not a military necessity. We have, as recently as 1967, withdrawn some American troops without diplomatic disaster. If we were now to discuss with our NATO allies a plan to move toward a more austere but still substantial American military presence, I think that they would recognize this as a decision in their own interest. The remaining U.S. forces would continue to serve their deterrent purpose and would be less of a source of political controversy within the United States. Sensible reductions would thus create greater NATO confidence.

ARMY DIVISIONS

Q. Referring to the proposed increase in Army divisions, you state on page 20 that "there is no convincing evidence we need any such build-up of ground forces. . . ." Yet at 13+ divisions, the U.S. Army now stands at its lowest strength since 1961 while the Soviets continue to increase the size and quality of their ground forces, particularly in Europe, as well as their capability to deploy these forces quickly around the world. In addition, the Soviets have demonstrated their willingness to run risks—the recent Middle East war was only the latest example. Finally, conventional forces assume an even greater deterrent role in an era of approximate nuclear parity. If you are willing to discount these developments, what kind of evidence would you consider "convincing"?

A. Our existing strategic and conventional forces have served as an effective deterrent. Any proposals for a buildup in ground forces should, in my opinion, be premised on some perception of an increased Soviet threat. I have seen no evidence of such increased threat and the statements of the President, the Secretary of State and the Secretary of Defense do not indicate that they see any such evidence.

Soviet military manpower has remained relatively static for some years. Improvements in the quality of their troops have been at least matched by improvements in U.S. military capability. The experience of the October war in the Middle East reflects, to me, the fact that both superpowers are aware of the imperative necessity of avoiding a military confrontation. Each supplied military equipment involvement. I recognize the essential deterrent role of conventional forces and support the maintenance of the capability to respond to any remotely conceivable conventional aggression against the United States and its basic interests. A protracted conventional war, however, is unthinkable in this nuclear age and our security requires no worldwide deployment of ground forces. Additional divisions are not needed at this time.

MILITARY ASSISTANCE

9. You seem to feel that the U.S. military assistance program has been used for the wrong purposes, it does not contribute to world peace, it has actually "fueled" conflicts, it assists several governments to repress their people, and it "can gain us the lasting hostility of the people oppressed."

a. Please specify any conflict in Asia, Africa or Latin America which you would judge to have resulted from U.S. military aid.

b. Which countries receiving U.S. military aid permit no political opposition and how would the termination of our aid assist in the development of such opposition in each?

c. In which countries has U.S. military assistance resulted in the lasting hostility of the people oppressed?

d. For what objectives would you use military assistance?

e. Would you eliminate Foreign Military Sales Credits? Is this bad business? Would you authorize nothing but cash sales, or is it your recommendation to place all arms transfers on a commercial basis, with essentially no controls by the U.S. Government?

A. (a). With regard to U.S. military assistance, I have not suggested that it was the major cause of conflicts in Asia, Africa or Latin American. These conflicts have been primarily the produce of territorial disputes and religious and tribal rivalries. But certainly such conflicts as the India/Pakistan war of 1965 were conducted in large part with American weapons. Honduras and El Salvador used American arms against one another. The repeated military coups elsewhere in Latin America have been buttressed with weapons obtained through U.S. military aid. And U.S. military assistance and sales to Portugal have strengthened efforts of the Portuguese armed forces to suppress indigenous revolt against colonial rule in Angola and Mozambique and Portuguese Guinea.

(b). U.S. military assistance, in the form of grant aid, excess defense items and military credit sales have been provided to the dictatorships of Greece, Spain and Portugal in Europe. Korea and Taiwan are one-party states which are major recipients of American arms. The Philippines, where we have had a military assistance program for years, has now been for many months under martial law. Many of the countries in South America where the Nixon administration has proposed increased military aid are ruled by military juntas. If termination of our military assistance did not result in the revival of democracy, at least it could no longer be blamed for its suppression.

(c). Fortunately, because of our record in World War II and in postwar rehabilitation, and also because of our generally beneficent international intentions, we have a considerable reservoir of goodwill throughout the world. There is, in my view, a risk that this can be dissipated in the aftermath of Vietnam, and our unpopular role there, if we continue to provide arms to regimes that stay in power through power and not through the will of a free electrorate. Military support to unpopular regimes may well incur "the lasting hostility of the people repressed."

(d). I would provide military assistance only where this serves to strengthen deterrence of any possible external aggression that may threaten our own interests. I would not provide it to curry favor, to help our balance of payments, or to preserve the status quo in some foreign country. The survival of Israel, for example, is of concern to the United States and military aid to South Korea probably contributes to stability in that peninsula. I would continue this support. Where the strength of NATO justifies military assistance to some of its less wealthy members, such assistance should be granted in the absence of countervailing considerations.

(e). I would not eliminate all foreign military sales credits nor would I place all arms transfers on a commercial basis, with essentially no controls by the U.S. Government. I believe that ultimate control over arms transfers should continue to reside in the Department of State and that military credit sales on sound business terms, should be authorized on a case-by-case basis where military capability of the recipient country serves American interests.

Chairman McClellan. I might add this. In talking about $5 or $6 billion in the Defense budget purportedly to strengthen the economy, I have already made a request of Secretary Schlesinger to give us some information about that. If necessary, we will ask him to come up and discuss it with us.

Senator Case?

OVERALL CEILING EFFECT

Senator Case. There is one thing that perhaps you discussed before I was able to get here, but if not, I wish you would give us, on the basis

of your own knowledge and experience, how the Defense Department works and the military system of the country works, that is this matter of what would happen if we do impose an overall ceiling, across-the-board cut. There are certain things in here that I am very much interested in and that you are interested in. For instance, the defense of Europe and other areas of our defense.

I would not want to see this cut. I am interested in keeping up the conventional strength of our combat forces in relation to overall personnel in the defense structure. What likelihood is there if we impose a cut of $5 or $10 billion, the bulk of that might be cut where we might not want it to, and the defense of the country would be really hurt, considering the way the defense structure is based, on three services, the need for mediation by the Defense Department among them and all the rest of it.

Mr. WARNKE. If I might start answering your question by saying that, in fact, a ceiling process is followed anyway. There is no way in which you can do this short of budgeting without having some sort of figure in mind. Obviously in the process in the Defense Department they determine what the figure is that they feel is presentable to the Congress.

Then that ceiling is further pushed down by the Office of Management and Budget. Then the Congress, of course, in many instances puts further cuts in. So there is a ceiling process at work.

The question I am raising is whether or not the Congress ought to be a part of that ceiling process. Now necessarily the services have to make choices. They do so even in the initial formulation of their budget. I have no reason to feel, in fact I feel to the contrary, that they would in any respect sacrifice the most important national interests.

PRIORITY LIST NEEDED

I think that this would compel them to focus on priorities. I would suspect that what they would eliminate is a list which is pretty comparable to that which our report suggests, that they would eliminate some of the items on their "wish" list, some of the items that perhaps they would like to have but they recognize as not being essential for the protection of national interests.

I have seen no reason to believe that our military leaders feel differently than you do, sir, or than I do with respect to the priority that has to be placed on our commitment to Western Europe. I think we could count on them to see to it that the necessary capability for that purpose would be maintained.

Senator CASE. Your confidence is a very important matter to me and to most of us, I am sure, because of your experience.

Thank you. That is all, Mr. Chairman.

RYUKYU PERSONNEL REDUCTION

Chairman MCCLELLAN. The staff reminds me I had overlooked one or two items here. We were trying to determine from where we might bring troops home so as to make a reduction in military personnel. We have about 55,000, I believe, in the Ryukyu Islands. They are there more or less for the protection of Japan. Would you bring those home?

Mr. WARNKE. Yes; I would. I have not figured exactly the number.

Chairman MCCLELLAN. How much of a cut would you make there?

Mr. WARNKE. I think we could make substantial cuts of our forces in Japan and the Ryukyus.

ALSO REVIEW OF RESERVES

Chairman MCCLELLAN. Also in the Reserve forces, do you propose to cut the Reserves?

Mr. WARNKE. In our report we do propose that there should be a review of the Reserve situation at the present time to determine just what of those forces are actually available in the event of a military contingency. We feel that some savings could be achieved there. I don't believe we have come up with a specific number.

CIVILIAN PERSONNEL REDUCTIONS

Chairman MCCLELLAN. But it should be examined and some cuts made. I didn't ask you about civilian personnel either. How much of that do you think we could reduce?

Mr. WARNKE. We have a specific recommendation with regard to civilian personnel. That is on page 21 of our report. What we have proposed is the same as the cut in the support forces, a 15-percent reduction in civilian personnel. There is a slight increase which is proposed for this year.

We believe it is unnecessary. Of course, as you recall back in November 1972, President Nixon himself had some critical comments about the numbers of civilians in the Pentagon.

Chairman MCCLELLAN. I was just trying to make the record complete.

Senator Symington?

NUCLEAR WEAPONS AND NATIONAL SECURITY

Senator SYMINGTON. Mr. Warnke, it would seem in these hearings we may not have discussed by far the most important aspect of our national security. When I first came on the Armed Services Committee in 1953, fairly fresh out of the Pentagon, I was much interested in the future of nuclear weapons. I was told by the chairman at that time, a member of the other party, that the matter was so secret he preferred not to have it discussed in our committee. I could never get an answer as to why, inasmuch as it was obviously the future foremost force the world would have to recognize, why it should be so completely ignored in discussion of military requirements. But that position has persisted.

In the Foreign Relations Committee there was a different situation. Under the law the administrations said they were forbidden to give out information about nuclear weapons because of the nature of the Atomic Energy Act. There was disagreement among the lawyers on the committee as against lawyers of the administration.

As is usual, you know who won that argument. Since that time, because of the great and growing importance of nuclear weapons, I gave up a position on another committee to join the Joint Atomic Energy Committee. By law the latter not only receives answers to all questions, but are supposed to have volunteered any major changes.

In this work I have had the full support of both the present chairman, Congressman Price, and the next chairman, Senator Pastore.

Now let us look at some facts briefly to see what we are talking about if there is any real interest in true national security.

EFFECT OF HIROSHIMA BOMB

The Hiroshima bomb was actually 13 kilotons. Dr. York, former Director of Research and Engineering in the Pentagon, testified that bomb killed 100,000 people immediately, many others later on from sickness.

CONCEALMENT OF NUCLEAR WEAPONS

We know that in the years it took to beat both Germany and Japan and the Islands, we dropped 2,046,00 tons of TNT; 1.4 million on Germany, 646,000 on Japan and the Islands. In TNT equivalent, that is one twenty-fifth of 1 percent in TNT equivalent of what we have ready to drop tomorrow. Any member of this committee could walk into this room with a Hiroshima bomb in each hand because of the development of lethal blast as against reduction in weight. A man could take a room in a hotel in Washington and say he was going down to his daughter's graduation in Roanoke. Instead of going there, he could go to Dulles; and 12 hours later, when he was in Europe or somewhere, there would be no more Washington.

We know also that a little fighter plane out of Frankfurt, with the new bombs developed, could drop 700 kilotons on Moscow, over 50 times the lethal effect of the Hiroshima bomb. You may knock out 25 percent, even 50 percent—I never heard of anything like that anywhere—of an attacking force; but you certainly are not going to knock out anything like 99 percent and to save the city you must knock out 100 percent of any carefully planned attack. You have today in Europe, the capacity to destroy Moscow. In addition, we have, according to published testimony, over 7,000 nuclear warheads in Europe; and in many other countries.

I can't yet find out, even as a member of the Joint Atomic Committee, whether there is any actually signed agreement with the Germans that will allow us to use those weapons as we see fit. We do know that their custody has been very careless not only in Europe, but in many other countries, including the Far East.

It is fair to say any of these warheads could start a third war, which could well be the end of civilization as we know it. One who could well be our leading elder statesman told me that some 10 years ago one of the Soviet leaders said to him "You know we can now destroy your country, regardless of what you do. We know also that you can destroy ours, regardless of what we do."

NUCLEAR CAPACITY

Putting it another way, if the Soviets hit the United States tonight with everything they have, and we did not know they were coming, within 48 hours we could wipe their cities off the face of the Earth, primarily as you pointed out because of the tremendous destructive capacity of the Polaris-Poseidon submarines. On the other hand, if

we hit the Soviet Union tonight with everything we have, and they didn't know we were coming, within 48 hours the minimum figure given the Joint Committee of the number of American dead is 100 million, just about everybody in any city of any size.

So where is there any victory for either side? The American people obviously should know a lot more about all this. It would have a major effect on the constitution, the construction, of our military budget. It would help to clarify and bring into focus problems we have been discussing here this morning.

SECRECY AND ATOMIC WEAPONS

You have had much experience in the Pentagon. Why is it that we maintain so much unwarranted secrecy around this nuclear force picture? From what I understand, since the Smythe report came out in the middle 1940's there has been no such secrecy essential to our security.

You mentioned Japan, or the chairman did. I was in Japan last year. They have great energy problems. I was introduced to the man some felt would be the next Premier. I found from his questioning he had forgotten more about atomic matters than I would know. They are interested, they are bright, and our position with them has deteriorated recently.

As you know, a short time ago India became the sixth nuclear nation. It is my own opinion that at least two additional countries now have nuclear capacity. That makes eight. One of our great scientists said 20 some years ago it was all like two scorpions in a bottle, but now there are at least six. What difference will it make if 2 scorpions out of 10 to 20 make a decision? What effect would that necessarily have on the remaining scorpions, as the situation develops and the number continues to grow.

You know these new possibilities, as perhaps best pointed out by Dr. Ed Taylor. I called up Dr. Harold Agnew, perhaps the most experienced of all physicists in this field, head of our Los Alamos Laboratory, and asked him if Dr. Taylor was sound. He said, why he designed most of our first nuclear bombs. Dr. Taylor points out the growing danger from private organizations intent on destruction—the Irish Republican Army, the Palestinian Liberation Front, the Mafia—as examples of groups that might be using this force in the future, especially as our peacetime nuclear efforts create the production of enriched uranium and plutonium.

NUCLEAR THREAT

What do you think we ought to do about all this? If we are going to be really serious in our questions of what should be done for the future physical security of the United States, how can we get over to the American people regardless of conventional troops and ships and planes we have all over the world, the real force that faces our destruction and the world's destruction today? What would be your thoughts?

Mr. WARNKE. I feel, Senator Symington, just as you do, that there is unnecessary secrecy about this at the present time and it does not

serve any constructive purpose. We are not keeping anything at this stage from the Soviet Union. They know as much as we do about the destructive power of nuclear weapons.

I think it is important that we maintain secrecy with regard to our advanced technology in this and other fields, but that is a very different question than the determination as to whether or not we and the rest of the world ought to appreciate the enormity of this power that the mind of man has unleashed.

I think if we were to publicize this more, it would have a sobering effect. I think people would recognize the fact that the world can no longer afford war. Any sort of conflict, whatever the motivation may be, holds the key to escalation into a nuclear confrontation.

Senator Young said earlier today that if we look back at the wars we have fought, they have been conventional. I suspect that will always be the case. We won't look back to a nuclear war. There won't be anybody to look back. The destructive power even of those 7,000 so-called tactical nuclear weapons in Europe is such that Europe could not survive their use in the defense of Europe. It would be an instance in which we had to destroy Europe in order to defend it.

I think there is an inadequate understanding of the fact that not only do wars now pose the problem of escalation to a nuclear conflict, but this also means that we have to reevaluate the approach to war. At one time it was regarded as merely being a continuation of foreign policy by other means. It can no longer be regarded in that vein.

I think it is terribly important that both we and other countries in the world recognize that in fooling around with the atom and with the proliferation which now appears to be the trend, we create the ultimate risk not only to national security, but to world survival.

Senator SYMINGTON. Thank you, Mr. Chairman.

Chairman MCCLELLAN. Thank you very much, Mr. Warnke.

I appreciate your response to our invitation and appreciate very much your discussion of these problems that confront us on which we have to make some decisions. You have been very kind. If we do decide we need some more information, we will submit you questions.

Thank you very much.

Mr. WARNKE. Thank you, Mr. Chairman. I will look forward to receiving them.

SUBCOMMITTEE RECESS

Chairman MCCLELLAN. The subcommittee will now recess subject to the call of the Chair.

[Whereupon, at 12:18 p.m., Thursday, May 30, the subcommittee was recessed to reconvene at the call of the Chair.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1975

MONDAY, JUNE 24, 1974

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:30 a.m., in room 1224, Everett McKinley Dirksen Office Building, Hon. John L. McClellan (chairman) presiding.

Present: Senators McClellan, Young, Cotton, Case, Fong, and Symington.

DEPARTMENT OF DEFENSE

STATEMENT OF HON. JAMES R. SCHLESINGER, SECRETARY OF DEFENSE

OPENING REMARKS OF CHAIRMAN

Chairman McCLELLAN. The subcommittee will come to order.

On May 30, former Assistant Secretary of Defense, Paul C. Warnke, appeared before this subcommittee and gave testimony on military policy and in support of the project on budget priorities proposal to reduce the Defense budget for fiscal year 1975 by $14 to $15 billion.

A copy of the transcript of that hearing has been furnished to Secretary Schlesinger and we have invited him to appear here today to respond to the comments and suggestions made by Mr. Warnke. We have, in addition, asked the Secretary to comment on some other matters of current interest to the subcommittee. These matters are set forth in correspondence with the Secretary dated June 7 and 14 and, without objection, I will insert these letters in the record at the conclusion of my remarks.

CORRESPONDENCE

Mr. Secretary, we are glad to have you with us today and unless any of my colleagues wish to make a statement, we will let you proceed with your initial or prepared statement, if you have one. But before you proceed, I think it also advisable to insert in the record at this point my letter to you dated May 21, 1974, together with your response thereto dated June 10, 1974. Some of the matters referred to in this correspondence will be the subject of our discussion today and I think these letters should go in the record.

[The letters follow:]

37-199 O - 74 - 6

May 21, 1974

Dear Mr. Secretary:

Recent statements indicate that possibly as much as $6.3 billion was added to the Department of Defense fiscal year 1975 budget request in order to stimulate the economy. I am informed that this general subject was discussed at some length during your appearance before the House Defense Appropriations Subcommittee on February 26, 1974.

In response to my questions submitted to you at our hearing on March 5, 1974, replies were as follow:

> "Nothing is included in our request for the purpose of stimulating the economy."

and

> "I think it is safe to say that the Defense budget is higher than it would have been had the economy not softened."

In order to help the Committee in its deliberations on the fiscal year 1975 Defense bill and in preparing for the floor debate, it is necessary to know the following:

1. The exact amounts included in the FY 1975 Defense budget in order to stimulate the economy, including (A) appropriations requested; (B) total obligational authority; and (C) outlays.

2. The specific programs, by appropriation, item and amount, that were included to stimulate the economy.

3. If no funds were specifically included to stimulate the economy, but were added as the economy softened, please provide the following:

> The appropriations request, total obligational authority and estimated outlays before and after the economy softened for those programs so affected, identified by appropriation title and item, based on the assumption that the grand total of the Defense budget before the economic softening, plus the amount added, would total $92.9 billion in budget authority and $85.8 billion in outlays.

The Committee desires that your reply be as responsive as possible with specific answers to the above questions. The subject has a direct effect on the overall budget and the anticipated deficit for fiscal year 1975. This information is vital to an informed debate in the Congress on the FY 1975 Defense budget.

With kind regards, I am

Sincerely,

John L. McClellan
Chairman

THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

JUN 10 1974

Honorable John L. McClellan
Chairman, Committee on Appropriations
United States Senate

Dear Mr. Chairman:

This is in response to your letter of May 21, 1974 with respect to allegations that amounts were included in the FY 1975 Defense budget request for the purpose of stimulating the economy. As the Secretary indicated in his testimony, nothing is included in our requests for that purpose. Our entire request is necessary to meet military requirements, and is justified on that basis alone. It is our judgment, however, that -- had the economy not softened -- the FY 1975 budget request for Defense, and for other agencies as well, would have been reduced within the Executive Branch before submission to the Congress.

Let me review the record on this point, beginning with the FY 1975 forecasts that were included in the FY 1974 budget document, released in January 1973.

	(FY 1975 estimates, $ billions)		
	FY 1975 forecast in FY 1974 budget document (pp. 40-41) released January 1973	Current FY 1975 request, FY 1975 budget document (pp. 40-41) released February 1974	Change
National Defense budget authority	91.9	95.0	+3.1
(DoD/MAP)	(90.0)*	(92.9)	(+2.9)
(AEC, stockpiling, etc.)	(1.9)*	(2.1)	(+.2)
National Defense outlays	85.5	87.7	+2.2
(DoD/MAP)	(83.0)*	(85.8)	(+2.8)
(AEC, stockpiling, etc.)	(2.5)*	(1.9)	(-.6)
Total Federal Government outlays	288.0	304.4	+16.4

*These breakdowns in parenthesis do not appear in the budget document.

Thus, in January 1973, we were projecting $90 billion in FY 1975 budget authority for DoD/MAP, and $83 billion in outlays. We are now requesting $2.9 billion more in budget authority, and $2.8 billion more in outlays, than was forecast back in January 1973. This increase is more than accounted for by the sharp inflation that occurred in the interim. From December 1972 to December 1973, the wholesale price index increased 18.2%. We did not foresee, 18 months ago, the sharp increases in fuel prices, the increase in subsistence rates from $1.65 to $2.28 per day, the impact of the February 1973 devaluation, or the sharp increase in

the rate of inflation across the board. Pay raises and retired pay cost-of-living increases cost more than we had planned back in January 1973.

There were some reductions. War costs, especially MASF, are lower than we had planned in January 1973. Our June 30, 1974 manpower estimate (military and civil service) slipped 46,000 between the two dates. We also had to take account of congressional actions on our FY 1974 requests, which in some cases tended to add to our 1975 program and in others to decrease it. The Middle East crisis and the related exposure of materiel deficiencies was another item on the increase side.

It became clear to us, then, as we were working on the FY 1975 budget requests last fall, that we would need considerably more than the $90 billion in budget authority and $83 billion in outlays forecast in January 1973. It is our judgment that, had the economy not softened late last year, the Office of Management and Budget might well have tried to hold us to the earlier level of $83 billion in outlays for FY 1975. We do feel that the President would have recognized the need for some increase in Defense spending above the January 1973 forecast, but would probably not have allowed the full amount we were requesting if it were necessary to hold outlays in total at a much lower level. It was on this basis that the Secretary estimated that the President's FY 1975 Defense budget request might have been from $1 billion to $1.5 billion lower than it is, had the economy not softened.

As things worked out, the economy did soften, and OMB did not press to hold us to the lower levels they may have been considering earlier in the fall. It was possible to meet military needs within the higher Federal budget total that eventuated. It is important to note, as indicated in the table presented earlier, that total Federal outlays in the FY 1975 budget are projected at $16.4 billion higher than in the forecast presented in January 1973.

You mentioned a figure of $6.3 billion alleged to have been added to the FY 1975 Defense budget to stimulate the economy. That particular figure arises from an outright misrepresentation of the Secretary's testimony before the House Appropriations Committee. He referred to our FY 1975 request within the Executive Branch "on the order of $85 billion in outlays." (House hearings, Part 1, p. 352) This has been taken, erroneously, to apply to obligational authority. Our FY 1975 request for obligational authority (excluding MAP) is $91.3 billion. Hence, a difference of $6.3 billion. This is completely erroneous. The record is clear that we never considered a request as low as $85 billion in obligational authority, and the Secretary specifically labelled this as an outlay estimate in his testimony.

In short, one can begin with the forecast of FY 1975 Defense budget authority that was placed in the public record in January 1973, add any reasonable amount for unanticipated inflation, and emerge with a higher amount than we are now requesting for FY 1975. There is no basis for the allegations that amounts were added to the Defense budget late in 1973 to stimulate the economy. Those making such allegations have ignored significant parts of the public record and distorted other parts of it.

Your letter enumerates three specific requests for information. As to the first two, the answer is that there are no such amounts, programs, or items. As to the third point, nothing was added to the Defense request. It was not a question of adding anything. It was a matter of reducing, or not reducing, the Defense request.

I hope that this letter is fully responsive to your needs. If it is not, or if you require further information or clarification, please do not hesitate to let us know.

Sincerely,

R. P. Cleveland Jr.

RESPONSES TO JUNE 22 QUESTIONS

Senator MCCLELLAN. Also, I request, as the staff suggests, that the unclassified part of your response of June 22 be placed in the record. Unfortunately, I have had no time to examine it thoroughly.

[The letter and questions and answers follow:]

THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

22 JUN 1974

Honorable John L. McClellan
Chairman, Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your letter of 14 June 1974, in which you enclosed a number of questions on the subject of American troop presence overseas. I believe you will find the replies fully responsive to your concerns. In this connection you will note that some of the replies incorporate classified information. The presence of classified information, in these instances, stems from my direction to furnish as complete replies as possible. As you requested, the Chairman of the Joint Chiefs of Staff has provided the answers to Questions 16 through 22. I fully endorse the Chairman's views.

I agree with you that the issue of U.S. military presence overseas is an especially important one. In my letter of 15 June 1974, I outlined the very significant reductions in this presence which have occurred in recent years as well as the ongoing actions and reviews which we expect will result in still further reductions.

In accordance with your invitation to provide other information, we also submitted to your office on 17 June 1974 an extensive compilation of data on treaties, treaty obligations, commitments, and similar issues which had been requested by Senator Mansfield in his capacity as a member of the Commission on the Organization of Government for the Conduct of Foreign Policy.

I believe these submissions will assist you in the important task of considering the 1975 Defense Appropriations Bill, and give ample evidence to the Committee of our continuing desire to reduce and streamline the United States military overseas presence.

I look forward to discussing these and related issues with the distinguished members of the Senate Appropriations Committee on 24 June 1974.

Sincerely,

signed

James R. Schlesinger

QUESTIONS SUBMITTED BY CHAIRMAN MCCLELLAN

Question. Please provide an unclassified breakdown of U.S. military personnel, civilian personnel, and dependents, by service, estimated to be stationed outside the United States in fiscal year 1975. (The geographic designation could be similar to that depicted in the insert on page 134 of Senate Report 93-884 on the fiscal year 1975 Authorization bill which was duplicated in the Congressional Record of June 6, 1974, page S9950.)

In addition, provide a breakdown by appropriation title of the funds requested for fiscal year 1975 to support these military personnel, civilians and dependents stationed abroad, as well as an additional breakdown by appropriation title of those funds requested for fiscal year 1975 that would be spent in the United States for the support of overseas operations.

Answer. The following table reflects the FY 1975 projection of authorized U.S. military personnel, civilian personnel and dependents, by Service. Data exclude Southeast Asia and a country breakdown in order to retain the table as unclassified, in accordance with your request.

U.S. AUTHORIZED PRESENCE OUTSIDE THE UNITED STATES

[Projected fiscal year 1975; end strengths in thousands][1]

MILITARY STRENGTHS

	Army	Navy	Marine Corps	Air Force	Total DOD
Outside United States:[2]					
U.S. territories and possessions[3]	8	11	2	7	28
Foreign countries	244	90	32	115	480
Total	252	101	34	122	508
Total foreign afloat included		(59)	(5)		(64)
Selected areas:					
Western Pacific	43	44	27	39	153
Afloat		(32)	(3)		(34)
Western Europe and related areas	200	42	3	74	319
Afloat		(27)	(2)		(29)
Other areas	1	4	2	2	9
Total, foreign countries					481
Total foreign afloat included					(63)

CIVILIAN STRENGTHS (U.S. DIRECT HIRE AND FOREIGN NATIONALS)

Outside United States:[2]					
U.S. territories and possessions	4	6	(4)	2	12
Foreign countries	96	28	3	29	156
Total	100	34	3	31	168
Selected areas:					
Western Pacific	34	22	3	12	71
Western Europe and related areas	61	4	(4)	17	82
Other areas	1	2	(4)	(4)	3

DEPENDENTS OF U.S. MILITARY AND CIVILIAN PERSONNEL (ESTIMATED)[5]

Outside United States.:[2]					
U.S. territories and possessions	9	13	2	9	33
Foreign countries	164	57	7	99	326
Total	173	70	9	108	359
Selected areas:					
Western Pacific	18	19	2	43	83
Western Europe and related areas	145	33	2	53	233
Other areas	1	5	3	3	12

[1] Detail may not add to total, due to rounding. All data excludes SEA strengths which are classified.
[2] Outside the 50 States.
[3] Excludes afloat assigned to the 50 States.
[4] Less than 500.
[5] Represents best estimates projected from September 1973 actuals.

The second part of this question poses some difficult problems because it presumes that specific portions of the general purpose forces budget can be identified as exclusively associated with particular deployments and commitments of U.S. forces overseas. In our general purpose force planning we, in fact, consider potential requirements for U.S. forces for contingencies in several parts of the world. It is in the nature of general purpose forces to be flexible, however, so that we do not need, and certainly could not afford, to plan separate forces for each such possible requirement. To select a particular U.S. planning factor, for example, a NATO-Warsaw Pact war in Europe might well require virtually all of our active general purpose forces. To attribute to it only a limited share of the general purpose forces budget would tend to understate the potential commitment in time of hostilities. However, we cannot ignore the fact that these forces are maintained for a variety of other reasons as well, as an essential element of U.S. national strength, consistent with our status as a great power.

In an effort to be responsive to what we believe to be the underlying intent of the questions, however, we are providing the illustrative information in the following table which estimates FY 75 costs of U.S. general purpose forces in four general categories related to our defense planning objectives, keyed to the most demanding contingency, that of Soviet aggression in Europe. It is not practical to break down these costs by appropriations category. The first category, $8.8 billion, shows an estimate of the cost of supporting U.S. forces planned for deployment in Europe in 1975. The $8.8 billion includes funds spent in both Europe and in CONUS in support of U.S. forces in Europe, and covers direct costs of military personnel, civilians, and dependents as well as the forces. Costs for U.S. overseas deployments other than to Europe are included primarily in Category IV. While in the time available we were not able to identify these costs separately, very rough estimates of the FY 75 costs of U.S. forces overseas in areas other than Europe would be about one-half of the $8.8 billion Europe figure shown in the first category. Appropriation detail has not been developed for the costs showing in the table.

Costs of Department of Defense General Purpose Forces, fiscal year 1975

	Billions
I. The U.S. forces and support elements forward deployed in Europe	[1] $8.8
II. The U.S. forces that are ready to rapidly deploy to counter Soviet aggression—currently planned for the European theater crises. These are mainly based in the U.S. and in general would be withheld from deployment to contingencies elsewhere	10.6
III. Other U.S. forces that would be used in NATO conflict, based upon current Defense Department planning. They would also be available for conflicts in other areas	10.7
IV. The remaining general purpose forces, whose primary purposes are essential forward deployments in other regions of the world, strategic reserve, and to meet the needs of other contingencies	15.0

[1] Of the $8.8 billion, $4.4 billion represents the direct annual operating costs of approximately 319,000 troops based in Europe. The $4.4 billion covers only the military pay and allowances and direct operation and maintenance costs for the U.S. forces in Europe including the Sixth Fleet. The remaining $4.4 billion includes construction costs, U.S. based support costs and an allocated share of the costs of new equipment.

The above costs include, in addition to the direct costs of the combat forces in each group, an allocated share of the costs of new equipment and a proportionate share of U.S. based training and logistics support. They also include all FY 75 Security Assistance costs. DOD retired pay costs, costs associated with U.S. strategic forces, RDT&E, DOD administration and some intelligence and communications costs are excluded.

The above costs provide a rough idea of the variable cost of the forces in each of the four groups. The amounts shown are mainly determined by the numbers of forces, the types of equipment bought for them and the manner in which the forces are trained and their equipment maintained.

Question. You will recall comments in our committee report last year to the effect that we would hold in abeyance action to impose a reduction on overseas troop strength and facilities in view of the assurances we had received from your predecessor, Secretary Richardson, that the matter was under active consideration and that recommendations would soon be forthcoming. That report was issued on December 12, 1973. To date, no recommendations have been received.

Would you please advise if your Department has yet formulated specific recommendations with regard to the number of U.S. troops currently stationed abroad.

Answer. Rather than formulating recommendations to reduce the number of troops stationed abroad, the Department of Defense has instead acted to reduce this number by a sizeable amount over the past year. The following table presents our assigned strengths in all foreign countries and areas, as well as in Asia and the Western Pacific, over the year since Secretary Richardson's statement. As the table indicates, our overall strength abroad has fallen by 13 percent in that period, while our strength in Asia and the Western Pacific has dropped by 27 percent:

ACTUAL U.S. TROOP STRENGTH, MAR. 31, 1973, THROUGH MAR. 31, 1974 [1]

[In thousands]

Date	Total foreign countries and areas	Asia and Western Pacific
Mar. 31, 1973	564 (93)	228 (58)
June 30, 1973	542 (73)	199 (32)
Sept. 30, 1973	530 (74)	190 (30)
Dec. 31, 1973	492 (55)	173 (21)
Mar. 31, 1974	491 (56)	168 (16)
Percent reduction, Mar. 31, 1973, to Mar. 31, 1974	13	27

[1] Source: OASD/Comptroller, includes SEA; afloat in parentheses.

Other actions and plans of a classified nature are also under way for FY 75 and FY 76 in connection with our ongoing review of headquarters strengths, prospects for our Asian deployments and MBFR. We would be pleased to discuss these matters with you in a classified briefing at your convenience, so as to supply you with further evidence of our continuing concern to reduce and streamline our overseas presence in keeping with the objectives of your Committee.

Question. Explain what specific provisions in the collective defense treaties to which the U.S. is signatory require U.S. forces to be stationed overseas. From a purely legal standpoint, would the U.S. treaty commitments be just as binding if no U.S. troops were stationed overseas?

Answer. The texts of our collective defense treaties do not, in so many words, commit the United States to maintaining specific numbers of troops overseas. In the absence of such troops, however, our readiness and capability to respond to threat, and consequently, our ability effectively to stand by these treaties, would be significantly impaired, although from the purely legal standpoint, our treaty commitments would be just as binding as ever.

It is wide of the mark, however, to speak of our commitments from a purely legal standpoint. Our national interests and those of our allies extend beyond the specific wording of treaty articles. These interests would be ill served were we to interpret them in so narrow a sense. We have, for example, long defined our vital security interests as requiring a balance of conventional forces in Europe, both to deter conventional attack by the Warsaw Pact and to raise the nuclear threshold should deterrence fail and overt hostilities erupt. This requirement has acquired increasing importance as the Soviet Union achieved nuclear parity and our once decisive nuclear supremacy disappeared. We have now concluded that Western interests in Europe will be best served if reductions in the level of forces take place only on a mutual and reciprocal basis with the Warsaw Pact and to the end of effecting such reductions we are currently engaged in the Conference on Mutual and Balanced Force Reductions in Vienna. These are the factors that have led us to maintain troops in Western Europe, despite the fact that no specific provision requiring them exists in the NATO Treaty.

The U.S. formally commits a specific number of units in support of the NATO Alliance each year. A U.S. commitment is crucial to U.S. interests in Europe and to stability in Europe, both militarily and politically, because the other Allies do not possess the combination of necessary physical resources and confidence in their own concerted ability to face the power of the Soviet Union unassisted. Our developments in Western Europe give strength and credibility to the NATO Alliance, which for 25 years has been central to this nation's foreign policy. The

significance and validity of the commitment have not weakened with time. The continued successful deterrence of war, and the maintenance of Western Europe's freedom and independence is fundamental not only to our own security interests but also to the preservation of the cultural values and political institutions which America values most. Our physical security is enhanced by NATO inasmuch as Central Europe is our own front line of defense; equally important is that given our deep cultural and historical ties with Western Europe, our own society and policy would suffer severely were these key nations to fall under Soviet influence.

NATO COMMITMENT

Question. The NATO alliance specifies no particular level of U.S. forces that are to be committed to the defense of Europe in the event of an attack. Yet, there are five active Army divisions specifically oriented toward the NATO mission, plus another six active Army divisions that are available for deployment to NATO. One active Marine Amphibious Force is specifically NATO oriented. Twenty-one active Air Force tactical aircraft squadrons are specifically NATO oriented, plus another 27 squadrons that could be used for NATO reinforcement. With the exception of the Navy's Middle East force, all units of the fleet are indicated as being applicable to meeting our NATO treaty commitments. (Reference: Department of Defense Manpower Requirements Report for FY 1975.) Would you delineate what this country's specific NATO commitments are in terms of divisions, aircraft, and ships, time-phased during the first 30, 60, 90 and subsequent days through one year, of a NATO war. Also, please provide the corresponding commitments in terms of planes, ships, divisions, etc., for each of our NATO allies. Where are the specifics of our commitment spelled out, and has the United States Congress ever agreed to any particular level of time-phased commitment?

To what degree are our allies, as well as this country, able to meet the specific commitments we now have with regard to providing divisions, planes, etc., in a NATO war?

Answer. U.S. forces are trained, manned, and equipped for worldwide use and deployment. Some are stationed overseas. The United States formally commits to NATO on an annual basis certain combat force units in Europe and in the United States. These commitments are made in order to provide NATO commanders (e.g., SACEUR and SACLANT) a firm basis for their operational planning and as a token of U.S. participation in the collective defense. Such commitments and their maintenance also serve as an incentive to the other NATO nations to make commitments and to maintain them. The major units which we now have formally committed in the NATO planning process are shown in the table attached.

With reference to the question as to any involvement on the part of the U.S. Congress in determining the level of our NATO-designated forces, the U.S. Congress has never been asked to agree to any particular level of time-phased commitment, though the fullest debate on U.S. Forces in Europe has taken place in the last several years. The U.S. commitment of forces to NATO is contained in our response to the NATO Defense Planning Questionnaire which is responded to annually by all NATO members (except France and Iceland). The commitments are formally acknowledged annually at the December Defense Planning Committee meeting of Defense Ministers.

Our Allies have in the past done a very creditable job of meeting their NATO commitments. Barring unanticipated changes in financial resources or governmental attitudes resulting from internal pressures, there is every indication that their stated numerical commitments will be met again this year. The following tables illustrate the DPQ commitment for each nation plus a tabulation of those national forces that the Department of Defense considers could be reasonably expected to be available for general NATO defense in event of conflict. We assume in our planning that all forces displayed in the following tables will be available by M+30.

[Table deleted.]

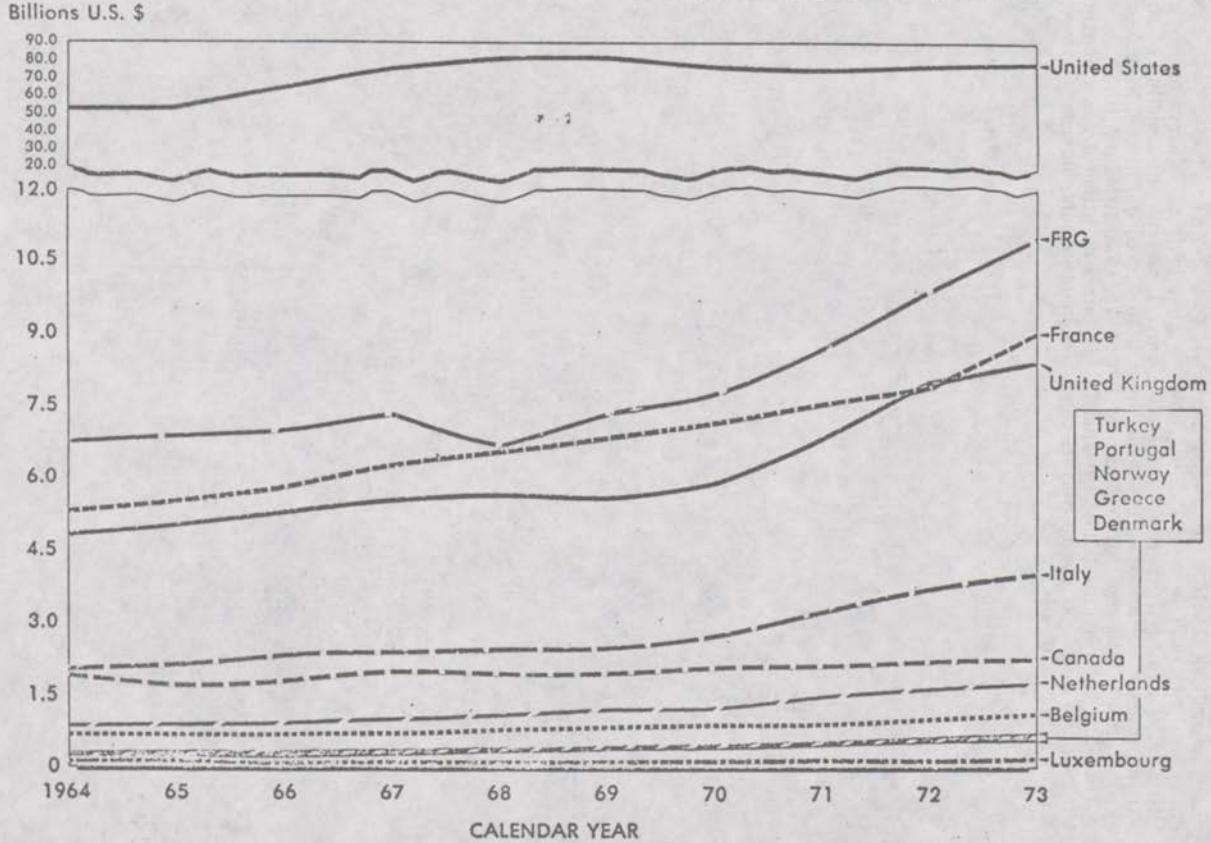
Question. Provide a table showing the defense budgets of each of our NATO allies, as well as the U.S., for the years 1955, 1960, 1965, 1970, and 1973. Show these on a comparable basis (dollars). Also, for each year show defense budgets as a percentage of GNP and percentage of total spending of the particular country involved. A second table should provide the same figures on a *constant dollar basis*, the one which the Defense Department has used so frequently in comparing year-to-year defense budgets.

Answer. The following chart shows the defense budgets of each of our NATO allies, as well as the U.S., for the years 1964–73 on a comparable basis in U.S. dollar equivalents. The second chart shows defense budgets as a percentage of GNP and the third the percentage of total central government spending of the particular country involved. The brief table also attached shows U.S. defense expenditures in constant 1972 dollars for 1965, 1970, 1973, 1974, and 1975.

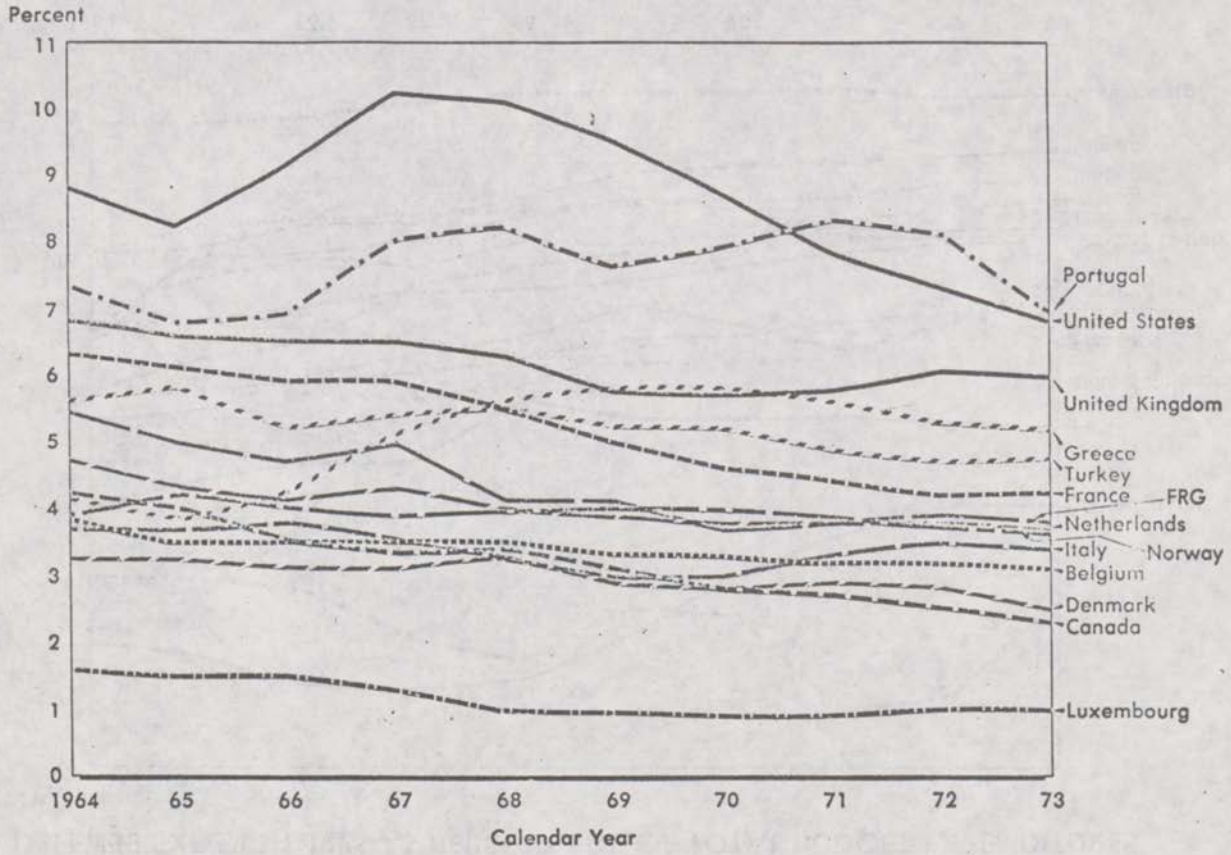
Time has not permitted the development of figures on allied defense budgets back to 1955 and 1960, nor to convert these to constant dollar figures.

[The chart follows.]

DEFENSE EXPENDITURES-CURRENT PRICES, 1973 EXCHANGE RATES



DEFENSE EXPENDITURES AS SHARE OF GNP AT FACTOR COST



DEFENSE EXPENDITURES AS PERCENTAGE OF TOTAL BUDGET EXPENDITURES

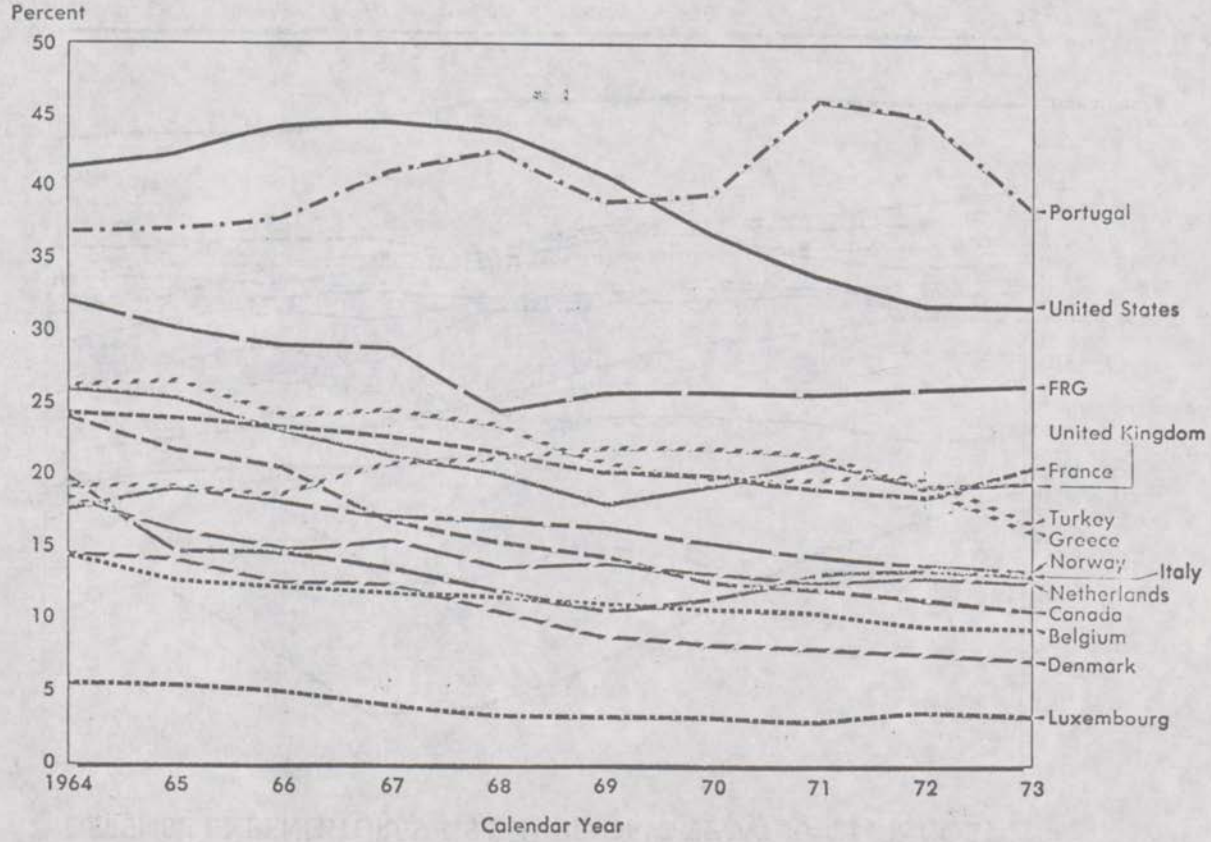


TABLE II.—*U.S. defense expenditures in constant 1972 prices*

[In billions of dollars]

Fiscal years:	
1965	69.1
1970	89.5
1973	69.2
1974	68.3
1975	67.9

Question. The testimony provided to the Committee this year indicated that use of U.S. bases in Europe was severely curtailed or denied during the October Middle East war. Provide a specific rundown of the bases in each European country where U.S. activity was curtailed, denied, or limited during the Middle East war. Explain what restrictions or limits were placed on U.S. use of these bases.

Answer. Most of our military operations during the Middle East war were staged through the Azores. We asked the Portuguese for authority to use Lajes and they agreed. Consequently, the airlift aircraft were staged through Lajes. This required a considerable amount of coordination with the Portuguese.

In addition, we also had to deliver combat tactical aircraft (F–4s and A–4s) and C–130s. The F–4s and A–4s required a considerable amount of inflight refueling en route. In addition to the tankers that operated out of the U.S. and out of the Azores for this purpose [deleted]. With the assistance of inflight refueling, we were able to operate the reconnaissance from the U.S.

Insofar as the 6th Fleet was concerned, neither the Italians nor the Greeks placed restrictions on the 6th Fleet's use of facilities in either Athens, Sicily, or other Italian ports and airfields.

One of our C–5 aircraft encountered mechanical difficulties and landed in Turkey without opposition. Tirus, the Turks were responsive in emergency situations.

Question. What restrictions, if any, were placed on the shipment of U.S. war stocks or war materiel located in Europe during the recent Middle East war?

Answer. We shipped some materiel from stocks located in the Federal Republic of Germany. The Germans posed no objections or restrictions on this movement for a considerable time, and in any case, the U.S. has a right to move that equipment in and out of the Federal Republic under the Status of Forces Agreement. [Deleted.] We have since clarified with the Germans our rights to move U.S. equipment out of the Federal Republic.

[Deleted.]

Q. Should we not reconsider the troop strength and support in each NATO country which denied or restricted U.S. actions during the Middle East war?

A. The United States was disappointed, but not surprised, when some of our allies did not agree with our assessment of the larger implications of the recent conflict for the NATO Alliance. Without the cooperation of Portugal in consenting to our use of Lajes, the resupply operation which made Israel's survival possible would have been extremely hazardous and almost prohibitively expensive. In order to provide for other possibly similar requirements in the future, we must ensure our access to secure bases, as free of political constraints as possible.

The primary purpose of the U.S. force structure in Europe is to support the U.S. and NATO's forward defense strategy. Whatever frustrations and disappointments we may have encountered in that quarter during the Mideast crisis, our interest in sustaining that strategy remains unimpaired, and this interest would be poorly served by weakening our current posture in that area.

Q. Suppose either the 8th Infantry Division (Mechanized) or the 3rd Infantry Division (Mechanized) were withdrawn from West Germany and deactivated. What U.S. treaty commitment would be abrogated or abandoned by such a withdrawal of one division?

A. No U.S. treaty commitment would be abrogated by such a withdrawal. However, each year since 1951, the United States has made a commitment to its NATO allies upon the occasion of the December NATO Ministerial meetings, to maintain a certain number of divisions in Europe. The most recent commitment was agreed upon by the U.S. in December, 1973. Additionally, the President has said that "Given the existing strategic balance and a similar effort by our Allies, it is the policy of this government to maintain and improve our forces

and not reduce them except through reciprocal reductions negotiated with the Warsaw Pact."

Such a withdrawal of our forward-based forces in Germany could have damaging effects upon both our political and military interests. Militarily, it would significantly impair the credibility of NATO's conventional defense by undermining the conventional option that we now possess in the event of conflict in Central Europe. That would notably lower the nuclear threshold, with all the attendant dangers of relying more heavily than we presently do upon nuclear weapons.

Politically, such action on our part would lend itself to interpretation by both our friends and our adversaries alike as a major reversal of our long-standing policy of support for European independence and security, and as a strong signal that our interest in, and commitment to, European defense was markedly weakened. Neither these military nor these political effects would be in the interests of either the United States or the Western world as a whole.

Q. You stated on page 8 of your FY 1975 posture statement ". . . a strong (NATO) conventional capability is more than ever necessary—not because we wish to wage conventional war but because we do not wish to wage any war." Can you tell us in terms of specific land, air and naval force units, what constitutes a strong conventional NATO capability?

Q. What are the minimum essential United States forces required to conduct an initial non-nuclear NATO conventional defense? How long could the present forces stationed in Europe withstand an all-out offensive from the Warsaw Pact before tactical nuclear weapons were used?

(The answers to questions 10 and 11 have been combined.)

A. The deterrence of conflict still requires strong U.S. military capabilities at all levels of potential conflict, even though the stark bipolarity of the Cold War is waning. As we enter an era in which the U.S.-Soviet detente has created a greater sense of security, many have come to hope or believe that our erstwhile enemies might somehow come to forsake military force as a tool of foreign policy. Some have gone so far as to question the utility of force as such a tool. Yet, both instinct and common sense suggest that any apparent decline in the utility of force in today's world, or in the proclivity of nations to use it, is more imagined than real. It is a perception limited to "our side" which the Soviets would be unlikely even to consider. Detente to the contrary notwithstanding, Soviet military power at every level continues to grow both quantitatively and qualitatively. This vast military establishment will not melt away tomorrow and its existence arouses deep and continuing anxieties among those of our more sensitive allies who confront it directly. Thus, the real debate is not over whether military force still has utility, but whether the West has the will to maintain the military balance with the Soviets as we move toward detente.

For Europe, we have argued that a strong conventional capability complementing our strong nuclear capabilities is essential to assure that deterrence is "drawn down" to the lowest level at which confrontation with the Soviet Union might erupt into conflict. We cannot make a precise estimate of the NATO or U.S. force required to defend in Europe, and we cannot confidently predict how long NATO could fight conventionally. The studies and war games we have conducted help draw conclusions, but there is always uncertainty in the assumptions and the methodologies used in the games.

While there is a rough balance of forces, there are some sharp disparities which must be attended to. For example, in Central Europe the Warsaw Pact has 15,500 tanks against NATO's 6,000. But this advantage is offset at least in part by NATO's large number of anti-tank weapons. We are now working to eliminate the vulnerabilities in NATO's defense posture which might tempt Eastern aggression.

The East does have a geographical advantage, because Warsaw Pact reinforcements are located close to potential areas of conflict while many of NATO's are across the Atlantic Ocean. This, coupled with the likelihood that the Pact would have the initiative in any conflict, makes it important that we recognize a crisis quickly, react to it, and have the capability to rapidly deploy ready U.S. forces. Further, if the East continues to increase and improve its force, NATO must respond or the balance will be upset. With continued improvements in readiness, modernization and efficiency, we should be able to maintain the balance.

Q. Mr. Secretary, over a year ago I asked the then Secretary of Defense, Mr. Richardson, to provide to the Committee information on savings and costs in-

volved if we were to withdraw varying numbers of personnel from Europe. The Assistant Secretary of Defense (Comptroller), Mr. McClary, replied six months later, giving one-time costs or savings and recurring costs and savings if 15,000, 50,000, 100,000, or 150,000 military personnel were withdrawn from Europe. Please supply an update of this information showing the costs and/or savings in FY 1975, 1976, and each subsequent year if these personnel were (a) to be rebased in the United States; (b) provided with rapid redeployment; or (c) demobilized. It will be necessary to break down the savings or costs in each year by appropriation title. Furthermore, the response should give an explanation of the proportion of each type of forces (ground troops, tactical air forces, etc.) that would be withdrawn in each case.

A. The cost data in the September 28, 1973, letter from Assistant Secretary McClary to Chairman McClellan have been updated in the following two areas:

(1) All Volunteer Force (AVF) facilities costs for troops to be returned to CONUS;

(2) Costs for airlift aircraft (in addition to the current forces) required to maintain current post-M-day combat capability in Europe.

AVF Facilities Estimates.—The study completed in response to Chairman McClellan's request last year assumed that additional AVF quality facilities would be required for all Army forces returned to CONUS from Europe. Preliminary work done since that study indicates that the AVF estimates used last year were about two-thirds of what should have been forecast. Thus, AVF estimates included in the September 28, 1973 letter have been increased by about 50 percent.

Airlift Aircraft.—Last year's study assumed that withdrawals as large as 100,000 and 150,000 U.S. troops from Europe would require purchase of 30 additional 747-type aircraft to provide enough airlift capability to forestall a degradation in post M-day U.S. combat capability in Europe. However, *if* Congress approves the airlift enhancement program proposed in the President's FY 75 Budget, and if the prepositioned equipment level is as postulated in last year's study, we no longer believe that additional airlift aircraft would be required for the hypothetical withdrawals of 100,000 or 150,000 men.

In addition, to provide correct *absolute* values, the costs shown in last year's study should be updated to allow for the effects of inflation. However, updating the estimates to account for inflation would not significantly change the relationships shown in the table.

Table I below revises the costs provided on September 28, 1973, for the situations where the 15,000, 50,000, 100,000 and 150,000 men are (a) to be rebased in the United States and (b) provided with rapid redeployment. The revision accounts for the AVF facilities and airlift adjustments indicated above. The AVF facilities and airlift aircraft cost changes do not affect the costs shown in Mr. McClary's September 28, 1973, letter for the hypothetical example that *demobilized* 15,000, 50,000, 100,000 and 150,000 men.

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TABLE I

COSTS/SAVINGS OF HYPOTHETICAL U.S. WITHDRAWALS FROM EUROPE*

	One Time Cost (+) or Saving (-) (FY 75 $ Millions)	Recurring Annual Cost (+) or Saving (-) (FY 75 $ Millions)
Withdraw 15,000 Men		
Rebase in U.S.	+ 380	- 10
Provide for Rapid Redeployment (Preposition Equipment)	+ 210	+ 20
TOTAL	+ 590	+ 10
Withdraw 50,000 Men		
Rebase in U.S.	+1,200	- 60
Provide for Rapid Redeployment (Preposition Equipment)	+ 670	+ 60
TOTAL	+1,870	0
Withdraw 100,000 Men		
Rebase in U.S.	+2,100	-200
Provide for Rapid Redeployment (Preposition Equipment)	+1,200	+110
TOTAL	+3,300	- 90
Withdraw 150,000 Men		
Rebase in U.S.	+3,200	-290
Provide for Rapid Redeployment (Preposition Equipment)	+1,800	+160
TOTAL	+5,000	-130

* These troop withdrawal options are illustrative and if actual actions were taken to withdraw specific units, variance from costs or savings estimates of about $20 million or 15% (whichever is greater) should be expected.

Inflationary effects would increase all of the estimates shown by approximately 10%.

The study used to derive the data in Table I did not identify specific real units to withdraw and therefore the study did not time-phase the cost estimates. Thus, the costs shown in Table I do not represent the dollar values that would appear in the FY 1975 budget if these options were exercised. In addition, the cost factors used in the study were aggregates that do not provide appropriation detail.

Table 2 below shows the proportion of Army and Air Force included in each example of last year's study.

TABLE 2.—PROPORTION OF AIR FORCE AND ARMY FORCES INCLUDED IN EACH WITHDRAWAL STUDY EXAMPLE

Number of men withdrawn	Percent Army men	Percent Air Force men
15,000	100	0
50,000	100	0
100,000	90	10
150,000	90	10

Q. Provide a tabulation to the Committee, preferably on an unclassified basis, showing the cost-sharing of each NATO ally and the United States in NATO-oriented activities during the past three years and, if possible, the estimates for fiscal year 1975.

Also provide to the Committee a tabulation of the total effect our NATO support has had on U.S. balance of payments during the past three years and the outlook for FY 1975.

A. Cost sharing percentages are provided below for the following programs:

(1) *NATO Infrastructure.*—This program provides operational facilities for NATO earmarked military forces.

(2) *NATO Military Budget.*—This program provides operating and maintenance expenses for NATO military headquarters and agencies.

(3) *NATO Civil Budget.*—This program provides operating and maintenance expenses for the NATO Civil headquarters. U.S. contributions are funded through Department of State appropriations.

The cost sharing percentages are applicable over the past three years as well as FY 1975. Total estimated cost of NATO Infrastructure for FY 1975 is $246 million; for NATO military headquarters and agencies, $147 million; and $9.9 million for the NATO civil budget.

NATO COST SHARING PERCENTAGES—INFRASTRUCTURE, MILITARY BUDGET, CIVIL BUDGET

COST-SHARING FORMULA FOR ACTIVITIES COMMONLY FINANCED BY ALL COUNTRIES

Country	Infrastructure	NATO military budget	NATO civil budget
Belgium	4.61	2.95	2.86
Canada	5.48	5.80	5.80
Denmark	3.07	1.74	1.65
France	13.16	17.10	17.10
Germany	21.86	16.10	16.10
Greece	.65	.39	.39
Iceland		.05	.05
Italy	6.58	6.12	5.96
Luxembourg	.18	.09	.09
Netherlands	4.23	2.94	2.85
Norway	2.59	1.20	1.15
Portugal	.30	.65	.65
Turkey	1.10	1.65	1.65
United Kingdom	10.42	18.22	19.50
United States	25.77	25.00	24.20
Total	100.00	100.00	100.00

COST-SHARING FORMULA FOR ACTIVITIES COMMONLY FINANCED BY COUNTRIES OTHER THAN FRANCE

Country	Infrastructure	NATO military budget
Belgium	5.30	3.56
Canada	6.31	6.99
Denmark	3.54	2.10
Germany	25.18	19.42
Greece	.76	.47
Iceland		.06
Italy	7.58	7.38
Luxembourg	.20	.11
Netherlands	4.87	3.55
Norway	2.98	1.45
Portugal	.35	.78
Turkey	1.26	1.99
United Kingdom	12.00	21.98
United States	[1] 29.67	30.16
Total	100.00	100.00

[1] When the Euro-Group 1 time (1971–75) European defense improvement program (EDIP) contribution to NATO infrastructure is considered, the effective U.S. contribution is reduced to 20 percent.

The impact of our NATO support on the U.S. balance of payments is reflected in the attached tables which provide total U.S. Defense expenditures entering the International Balance of Payments, by NATO Country, and by category, for FY 72 through FY 75. The FY 74 and FY 75 data are estimates only.

U.S. DEFENSE EXPENDITURES ENTERING THE INTERNATIONAL BALANCE OF PAYMENTS, BY NATO COUNTRY, BY CATEGORY[a]
($ MILLIONS)

FY 1972

EUROPEAN NATO	US MILITARY CIVILIANS & DEPENDENTS[b]	FOREIGN NAT'LS	MAJOR EQUIP	CONSTR	NATO INFRA-STRUCTURE	PETROLEUM, OIL, LUBRI-CANTS (POL)	MATERIALS & SUPPLIES	SER-VICES	ALL OTHER PAY-MENTS (NET)	GRAND TOTAL
BELGIUM - LUXEMBOURG	28.1	3.4	-	.3	.3	2.5	2.6	5.2	5.8	48.1
DENMARK - GREENLAND	7.8	.3	-	-	-	.2	10.2	14.5	1.5	34.5
FRANCE	7.3	.3	.1	-	-	.2	1.7	6.2	1.5	17.3
GERMANY	659.4	328.9	6.2	45.9	5.2	19.8	48.9	223.9	53.0	1391.0
GREECE	11.0	1.8	-	1.1	1.3	2.5	1.1	9.9	.6	29.4
ICELAND	7.7	1.8	-	3.7	-	3.6	.3	4.4	.4	21.9
ITALY	45.5	14.4	2.4	3.0	.4	27.6	5.3	18.4	8.3	125.2
NETHERLANDS	18.3	2.3	-	.7	-	2.5	26.0	4.2	1.4	55.5
NORWAY	2.5	.3	1.9	.1	.4	.3	.3	1.5	1.5	8.7
PORTUGAL[c]	5.2	2.0	-	-	.7	.1	.4	2.4	-.4	10.4
TURKEY	10.3	1.1	-	3.0	-	.2	.5	16.1	.9	32.1
UNITED KINGDOM	118.4	11.5	105.7	7.9	.9	14.3	18.1	55.6	5.4	337.9
OTHER NATO (NOT DIST. BY COUNTRY)	.1	-	-	-	16.9	-	-	-	20.0	36.9
TOTAL, EUROPEAN NATO	921.6	368.1	116.3	65.7	26.1	73.8	115.4	362.3	99.9	2148.9
CANADA	9.2	7.7	59.7	.7	-	1.8	15.2	87.0	4.7	186.0
TOTAL NATO	930.8	375.8	176.0	66.4	26.1	75.6	130.6	449.3	104.6	2334.9

a/ Excludes subcontracts in NATO countries.
b/ Includes foreign expenditures by non-appropriated fund activities.
c/ Includes Azores.
Detail may not add due to rounding.

U.S. DEFENSE EXPENDITURES ENTERING THE INTERNATIONAL BALANCE OF PAYMENTS, BY NATO COUNTRY, BY CATEGORY[a]
($ MILLIONS)

FY 1973 (Estimated)

EUROPEAN NATO	US MILITARY CIVILIANS & DEPENDENTS[b]	FOREIGN NAT'LS	MAJOR EQUIP	CONSTR	NATO INFRA-STRUCTURE	PETROLEUM, OIL, LUBRI-CANTS (POL)	MATERIALS & SUPPLIES	SER-VICES	ALL OTHER PAY-MENTS (NET)	GRAND TOTAL
BELGIUM - LUXEMBOURG	29.4	4.2	-	.2	1.0	1.8	2.8	4.4	-.3	43.5
DENMARK - GREENLAND	5.1	.1	-	-	-	.2	8.2	16.8	1.5	31.9
FRANCE	8.2	.5	.1	-	-	2.3	1.5	4.6	.6	17.8
GERMANY	638.1	380.6	2.8	44.4	7.4	22.3	57.8	248.2	67.7	1469.3
GREECE	9.1	1.9	-	3.7	16.9	3.8	.9	11.1	1.0	48.4
ICELAND	6.2	1.9	-	5.9	-	3.6	.4	5.1	.5	23.6
ITALY	50.9	5.8	2.3	3.7	-	29.4	5.0	20.2	3.2	130.5
NETHERLANDS	18.8	2.9	-	.5	-	9.0	23.9	4.6	.8	60.5
NORWAY	2.1	.3	1.8	.8	-	.7	.6	1.4	1.8	9.5
PORTUGAL[c]	4.2	2.2	-	-	-	.7	.7	2.2	.1	10.1
TURKEY	8.3	.3	-	1.6	-	.1	.4	13.4	2.0	26.1
UNITED KINGDOM	111.5	11.4	79.1	12.3	-	24.1	22.8	48.2	15.6	325.0
OTHER NATO (NOT DIST. BY COUNTRY)	-	-	-	-	22.2	-	-	.4	22.4	45.0
TOTAL, EUROPEAN NATO	891.9	422.1	86.1	73.1	47.5	98.0	125.0	380.6	116.9	2241.2
CANADA	8.6	8.9	54.5	.6	-	1.3	13.8	67.0	7.5	162.2
TOTAL NATO	900.5	431.0	140.6	73.7	47.5	99.3	138.8	447.6	124.4	2403.4

a/ Excludes subcontracts in NATO countries.
b/ Includes foreign expenditures by non-appropriated fund activities.
c/ Includes Azores.
Detail may not add due to rounding.

U.S. DEFENSE EXPENDITURES ENTERING THE INTERNATIONAL BALANCE OF PAYMENTS, BY NATO COUNTRY, BY CATEGORY[a]
($ MILLIONS)

FY 1974 (Estimated)

EUROPEAN NATO	US MILITARY CIVILIANS & DEPENDENTS[b]	FOREIGN NAT'LS	MAJOR EQUIP	CONSTR	NATO INFRA-STRUCTURE	PETROLEUM, OIL, LUBRI-CANTS (POL)	MATERIALS & SUPPLIES	SER-VICES	ALL OTHER PAY-MENTS (NET)	GRAND TOTAL
BELGIUM - LUXEMBOURG	29.6	4.9	-	.4	1.0	2.0	3.0	4.7	4.0	49.6
DENMARK - GREENLAND	5.2	.2	-	-	-	.2	10.0	19.5	1.5	36.6
FRANCE	8.5	.5	.1	-	-	2.5	1.7	6.0	1.0	20.3
GERMANY	650.8	441.5	5.0	52.8	10.0	23.6	67.4	275.8	65.0	1591.9
GREECE	13.0	2.4	-	4.0	10.0	4.0	1.0	11.9	1.0	47.3
ICELAND	7.5	2.2	-	8.0	-	3.8	.4	5.4	.5	27.8
ITALY	51.8	7.0	3.0	4.5	-	31.2	5.7	21.8	7.0	142.0
NETHERLANDS	19.0	3.2	-	.7	-	9.5	30.0	5.4	1.0	68.8
NORWAY	2.4	.4	2.0	.6	-	.5	.6	1.7	1.5	9.7
PORTUGAL[c]	4.5	2.3	-	-	1.0	.4	.9	2.5	-	11.6
TURKEY	8.7	.9	-	2.0	-	.2	.5	15.3	1.5	29.1
UNITED KINGDOM	115.0	12.8	100.0	10.0	-	26.0	24.6	61.1	8.0	357.5
OTHER NATO (NOT DIST. BY COUNTRY)	-	-	-	-	35.0	-	-	-	24.0	59.0
TOTAL, EUROPEAN NATO	916.0	488.3	110.1	83.0	57.0	103.9	145.8	431.1	116.0	2451.2
CANADA	9.0	9.5	55.0	.7	-	2.0	14.6	80.2	7.5	178.5
TOTAL NATO	925.0	497.8	165.1	83.7	57.0	105.9	160.4	511.3	123.5	2629.7

a/ Excludes subcontracts in NATO countries.
b/ Includes foreign expenditures by non-appropriated fund activities.
c/ Includes Azores.
Detail may not add due to rounding.

U.S. DEFENSE EXPENDITURES ENTERING THE INTERNATIONAL BALANCE OF PAYMENTS, BY NATO COUNTRY, BY CATEGORY[a]
($ MILLIONS)

FY 1975 (Estimated)

EUROPEAN NATO	US MILITARY CIVILIANS & DEPENDENTS[b]	FOREIGN NAT'LS	MAJOR EQUIP	CONSTR	NATO INFRA-STRUCTURE	PETROLEUM, OIL, LUBRI-CANTS (POL)	MATERIALS & SUPPLIES	SER-VICES	ALL OTHER PAY-MENTS (NET)	GRAND TOTAL
BELGIUM - LUXEMBOURG	30.0	5.2	-	.4	1.0	2.2	3.0	5.0	4.0	50.8
DENMARK - GREENLAND	5.5	.2	-	-	-	.2	11.0	20.3	1.5	38.7
FRANCE	8.8	.6	.1	-	-	2.5	1.8	6.5	1.0	21.3
GERMANY	686.8	472.8	5.0	56.5	10.0	24.9	70.8	295.1	65.0	1686.9
GREECE	14.0	2.6	-	5.0	5.0	4.4	1.2	12.7	1.0	45.9
ICELAND	8.0	2.5	-	7.0	-	4.0	.5	5.8	.5	28.3
ITLAY	54.5	18.2	3.0	4.5	-	33.1	5.9	23.3	8.2	150.7
NETHERLANDS	19.6	3.3	-	.8	-	10.1	31.9	5.8	1.0	72.5
NORWAY	2.6	.4	2.0	.6	-	.5	.7	1.9	1.5	10.2
PORTUGAL[c]	5.0	2.5	-	-	1.0	.4	1.0	2.7	-	12.6
TURKEY	9.9	1.0	-	2.0	-	.2	.5	16.6	1.5	31.7
UNITED KINGDOM	120.0	13.7	80.0	10.0	-	28.0	25.9	65.7	10.0	353.3
OTHER NATO (NOT DIST. BY COUNTRY)	-	-	-	-	30.0	-	-	-	24.0	54.0
TOTAL, EUROPEAN NATO	964.7	523.0	90.1	86.8	47.0	110.5	154.2	461.4	119.2	2556.9
CANADA	9.6	10.2	60.0	.7	-	2.0	15.5	85.8	7.5	191.3
TOTAL NATO	974.3	533.2	150.1	87.5	47.0	112.5	169.7	547.2	126.7	2748.[illegible]

a/ Excludes subcontracts in NATO countries.
b/ Includes foreign expenditures by non-appropriated fund activities.
c/ Includes Azores.
Detail may not add due to rounding.

Q. The Jackson-Nunn Amendment added a provision to the FY 74 Defense Authorization Act last year that became Section 812 of PL 93–155. Describe the specific agreements that have been reached in implementing Section 812. Indicate the amount of the balance of payments deficit and the specific purchases, loans, or other ways in which they are to be offset by our NATO allies. Provide details of the items to be bought or the conditions of any loans to be made.

A. The Jackson-Nunn Amendment requires the allies to offset FY 74 U.S. NATO-related defense balance of payments expenditures in NATO Europe. DOD estimates that *total* U.S. defense expenditures entering the international balance of payments in NATO Europe during FY 74 will be about $2.406 billion. However, our NATO-related expenditures for Jackson-Nunn purposes will total approximately $2 billion. The $2 billion estimate excludes expenditures for non-NATO related categories, i.e., strategic forces, major U.S. equipment purchases in Europe, and the Sixth Fleet. This estimate may still include some non-NATO related expenditures, and some amounts which would be imported even if units were located in the United States. We are reviewing our calculations on a continuing basis to ensure that we comply with Congressional intent. We believe that the allies will be able to offset any deficit by a combination of (1) the recently concluded US–FRG Offset Agreement for FY 74–FY 75, and (2) the procurement of U.S. military related items by the other European NATO allies.

The US–FRG Offset Agreement totals approximately $2.218 billion ($1 = DM 2.669) for the two-year period FY 74–75. This total is comprised of the following elements:

UNITED STATES—FEDERAL REPUBLIC OF GERMANY OFFSET AGREEMENT (FISCAL YEARS 1974–75)

Elements	Deutsche mark	U.S dollars
Military procurement	2,750	1,030
Troop facilities rehabilitation	600	225
Real estate taxes and airport fees	20	8
Uranium enrichment services	200	75
Research and development projects	100	37
Securities (7 years at 2½ percent)[1]	2,250	843
Total	5,920	2,218

[1] The FRG Bundesbank will purchase DM2,250,000,000 worth of special U.S. Government 7-yr securities at the concessional interest rate of 2½ percent.

The FY 74 portion of the total US–FRG Offset Agreement (i.e., one-half) is $1.1 billion. In addition to this, there will be large sales to NATO allies other than the FRG. These amounts together should be ample to offset any deficit that remains under Jackson-Nunn.

The above estimates do not represent the total amount of financial measures taken by the allies in support of U.S. troops in Europe. For example, the FRG reports that during CY 72 alone, it spent approximately $450 million in the FRG and Berlin to cover the costs of real estate for U.S. troops, roads, and other such activities in direct support of U.S. forces.

Q. Mr. Secretary, what is the degree of coordination between the Department of Defense and the Department of State in presenting a United States position on the most important international issues as they come up? The Vietnam and Korean experiences, in which we carried almost the whole load, come to mind, and there are others—such as when many of our allies deserted us in voting for the exclusion of Taiwan from the United Nations and in their raising a protest over the use of our European based supplies for Israel, and in the seemingly complete breakdown of coordination and cooperation in regard to the Middle East oil situation. To your knowledge, have we ever indicated that we must reassess our NATO position and strength because of the unwillingness of our allies to cooperate on issues that are not NATO oriented?

A. When the Nixon Administration came to office in 1969, it undertook to substantially improve the inter-agency coordination of national security policy and foreign policy within the Executive Branch by reinvigorating the National Security Council system under the able leadership of Dr. Kissinger. Thanks to this mechanism for coordinating U.S. policy, the Departments of State and Defense have worked in close harmony these past years across the whole range of world problems.

With respect to the coordination of policy with our allies, it is important to remember that even the substantial commonality of interest on which mutual security treaty relationships are built cannot be expected to cover every conceivable contingency. Inevitably, situations arise in which divergences of interest surface, especially when the crisis in question is geographically distant from the center of focus of the alliance. The U.S. must respond to such circumstances as a world power; none of its allies enjoys that status nor bears those responsibilities. And, as a world power, our interests in maintaining the fundamental force line of world equilibrium are such that we cannot allow transient differences of interest and outlook with certain of our allies to destroy those fundamental relationships on which world stability rests. For that reason, while we may experience periods of extreme frustration, inconvenience and even annoyance at the failure of certain allies to support our approach to a particular crisis, we must maintain the perspective and equanimity of a world power. For our own safety and the peace of the world, we cannot allow ourselves the self-indulgence of a policy of recrimination.

In the case of NATO, we have taken the experience of the last Middle East war as an opportunity to seriously review within the Alliance the procedures for consultation and crisis coordination. We hope this process will result in a strengthening of the mechanisms of mutual support, and a further refinement of common interests and objectives, particularly on issues outside the geographic scope of the Alliance itself.

Q. Presently we have about 300,000 military personnel either based in or afloat about Western Europe and related areas. How is this requirement arrived at?

A. Determination of requirements for the basing of US forces is a complex and dynamic procedure. Priority considertaion must be given first of all to our national interests. For generations the United States has been closely related to the nations of Western Europe—culturally, politically, and economically—as well as militarily. The continued friendship and cooperation between Western Europe and the United States is considered vital to US interests. Accordingly, we view the security of Western Europe of great importance, secondary only to the physical security of the United States itself.

With this fact as a back drop, US force levels are sized with consideration being given to the capabilities of our adversaries, the likelihood of conflict and the nature of the contingencies for which we want to be prepared, and the capabilities of our Allies. These capabilities and contingencies are assessed each year, and the level of forces considered necessary to deal effectively with them are set forth, on the basis of Presidential guidance, in major documents of the Defense planning cycle—the Joint Strategic Objectives Plan, the Planning and Programming Guidance Memorandum, and Program Decision Memoranda. In addition to the above, with regard to the size of our forces in Western Europe, consideration is given to all the factors bearing on our ability to move additional forces to Europe in case they may be needed.

The size of our forces in Europe may vary over time, depending on the threat, adversary and allied capabilities, and of course, any progress toward a negotiated reduction. The imposition of arbitrary unilateral US reductions, short of negotiations and without full consideration of all factors, could impact adversely on recognized vital US national interests.

Q. What, specifically, is it envisioned that these 300,000 military personnel would be able to do in the event of the outbreak of war in western Europe?

A. The overall military objective of the NATO Alliance is to prevent war by creating an effective deterrent to all forms of aggression. For this purpose the Alliance needs a full spectrum of military capabilities ranging from conventional forces through tactical nuclear weapons to strategic nuclear force. Should aggression occur the military objective must be to preserve or restore the integrity and security of the NATO area by employing such force as may be necessary within the concept of forward defense.

U.S. forces contribute to the creation of an effective deterrence at all levels of conflict and contribute to the military strength necessary to halt aggression firmly and swiftly should deterrence fail. US Forces in Europe contribute to the confidence and stability of western European nations and enhance the growth of European cooperation.

In conditions of near strategic parity, a strong capability to defend with nonnuclear forces becomes increasingly important; the Untied States contributes about one-quarter of NATO's Forces in Europe's vital central region, though

our allies' proportionate share of forces in the entire European NATO area is far higher. U.S. troops in western Europe constitute an absolutely essential element of NATO's military posture in the central region.

The balance of conventional forces in the center of Europe would be seriously upset by the unilateral withdrawal of a substantial number of US Forces. Deterrence would be weakened. In the event of hostilities, a weaker NATO conventional defense could confront the Alliance with the choice of either capitulating or using nuclear weapons immediately.

The US contribution of forward deployed general purpose forces and the US ability to augment those forces quickly in an emergency are still essential to the maintenance of a viable military balance between NATO and the Warsaw Pact. Thus, US forces in Europe reduce the likelihood of war; and allow the conduct of a credible diplomacy to negotiate a mutual reduction of forces. Unilaterally disengaging our forces would risk serious instability in Europe, the possibility of greatly enhanced Soviet influence, and the dangerous implications of a greater reliance on nuclear weapons.

Q. Are military authorities in agreement that this appraisal is realistic?

A. In terms of the strategic concept for US forces, yes. This level of US forces together with the considerable contribution of US allies would be adequate to mount an initial conventional defense of Europe. Faced with this allied capability, the Soviet Union would have to calculate whether the risks of initiating and then continuing aggression in Europe would justify any possible gains.

Q. Would not one forward-stationed division in Europe provide a sufficient symbolic commitment of U.S. support, particularly if our fleet and air units remained available there?

A. Reducing our forward-stationed land forces in Europe to one division could be interpreted by the Soviets and Europeans as an American renunciation of previous policy concerning U.S. commitments to the defense of Europe. Beyond the important political symbolism derived from our forces in Europe, our forces have a viable military mission. The present U.S. force level in Europe, with the considerable forces of our NATO allies, provides a capability to mount a substantial conventional defense in the face of a major Warsaw Pact attack. Reducing the U.S. land force to one division would significantly diminish the credibility of NATO's conventional deterrence, make this one U.S. division force extremely vulnerable, could eliminate conventional forward defense as a feasible option to the United States and force adoption of a "tripwire" strategy, and therefore significantly lower the nuclear threshold. Should the United States be faced with a sharp confrontation, without strong forward deployed forces, the options open to the National Command Authorities would be extremely limited. The absence of strong forward deployments could leave the President with capitulation or nuclear warfare as his only options.

Q. You must have a contingency plan involving nuclear weapons that the President can call into use in dire extremities. Can you visualize such an extremity in regard to our troops in Europe?

A. NATO's doctrine of flexible response, to which the United States subscribes, requires a capability to confront aggression at any level of action across the spectrum of warfare. Should it appear that the aggression cannot be contained and the situation restored by direct conventional defense, the strategy calls for a carefully controlled, deliberate raising of the scope and intensity of combat. As the threat of a NATO nuclear response becomes progressively more imminent, the costs and risks become disproportionate to the aggressor's objectives.

It should be clearly understood, however, that only the President can authorize the release of nuclear weapons to meet the above purposes. The contingency would be the failure to deter aggression and the major loss of NATO territory, not the protection of U.S. troops per se.

Q. Can you describe to the Committee the size of forces available to the Warsaw Pact nations and those available to NATO?

A. The most demanding feature of the NATO contingency is the potential threat to the Center Region. It is estimated that the forces which the Pact could launch against the Center Region with very little warning consist of: 27 divisions deployed by the USSR in East Germany, Poland and Czechoslovakia. 31 divisions deployed by East Germany, Czechoslovakia, and Poland. About 2800 aircraft, primarily air-to-air fighters.

These 58 divisions (which do not include four Soviet tank and motorized divisions in Hungary) constitute a much larger force than would be required for defensive purposes. The more than 15,500 tanks which these forces possess further underlines their offensive potential. It is noted, however, that: Pact divisions are

smaller than their NATO counterparts. Deployed Pact ground forces amount to about 925,000 men. Pact forces maintain less peacetime logistics structure than does NATO.

NATO has in the Center Region about 29⅓ divisions and more than 2700 aircraft in a roughly comparable area of Western Europe. The total includes five French and 4⅓ U.S. divisions (not including the Berlin Brigade or two armored cavalry regiments). Manpower in ground forces amounts to about 777,000, including French forces in Germany. About half of our tactical aircraft are fighter bombers. As a consequence, there is an approximate balance between the immediately available forces of NATO and the Pact in the Center Region. The Pact has an advantage in the number of men in ground forces and a large numerical superiority in tanks. However, NATO possesses important quantitative or qualitative advantages in tank destroyers, anti-tank weapons, trucks, logistic support and modern fighter aircraft.

NATO has fielded a large military force of high quality. It is a force of considerable strength. It continues to improve. In many respects it is not the equal of the Warsaw Pact force opposing it—for instance, in maneuver divisions and tanks. NATO's main reinforcements, those from the United States, are not so close as those of the Soviet Union. But NATO has some strengths of its own, such as tactical air forces, and the Warsaw Pact has some weaknesses and vulnerabilities, such as logistics and the uncertain reliability of some Pact members. NATO could give a good account of itself in defense, provided NATO gives itself the defensive weapons and military cohesion it needs. Of course, NATO is dependent on each member keeping up its individual efforts. All must do their fair share if the present disparities between NATO strength and that of the Warsaw Pact are not to become insuperable.

This realistic and positive assessment of NATO's conventional defense capabilities does not mean the existing correlation of forces between NATO and the Warsaw Pact is satisfactory for our security. While NATO does have substantial conventional defense capabilities—and it is important that the Soviet Union realize this—there remain objective disparities, and any Mutual and Balanced Force Reduction agreement must address these disparities if it is to enhance stability.

Unilateral withdrawal of U.S. ground and tactical air forces could clearly undermine the current capabilities of NATO without corresponding reductions of Warsaw Pact capablities.

Q. Mr. Secretary, in Vietnam the Nixon Administration pursued a dual strategy of achieving a peace accord—that is, at the same time negotiations were taking place in Paris, U.S. troops were being deliberately withdrawn from South Vietnam as "Vietnamization" took place. Although concentrated U.S. bombing in the days just prior to the agreement may have had an important effect, it still may be said that it was not the increasing buildup of U.S. forces which resulted in a settlement, but rather the coordinated strengthening of our South Vietnamese allies and the withdrawal of U.S. forces that led to a negotiated accord.

Do you not see a basic parallel between the Vietnam approach and a possible approach at the Mutual and Balanced Force Reduction talks? Wouldn't the phased withdrawal of U.S. forces, coupled with the strengthening of our NATO allies' forces act in a similar fashion in bringing about an agreement that could reduce the overall level of armaments and forces in Europe? Do you not feel that withdrawals of U.S. troops on a phased basis could result in a greater willingness on the part of the Soviet Union to engage in meaningful negotiations at the MBFR talks? If no adjustment in our treaty commitment to NATO were made, but a greater portion of the military strength in Europe were assumed by our allies, what would be the impact on the NATO alliance and the strong conventional defense that now exists in NATO?

A. There is no basic parallel between the so-called Vietnam approach described in the question and the case of U.S. force withdrawals from Europe. U.S. forces in Europe form a vital element in the forward defense of the United States. While our forces in Vietnam accomplished a significant achievement in the protection of our national interests, they were never considered part of our overall forward defense strategy. Also, in Vietnam, there were substantial military programs underway by which the United States was assisting the South Vietnamese in their own defense. The bombing of military targets in North and South Vietnam was a catalyst in this effort.

Our European allies, in close consultation with the U.S. are presently assuming a greater part of the responsibility for the defense of Europe through the implementation of force improvement programs, the FRG offset agreement and other measures which meet the requirements of the Jackson/Nunn amendment. President Nixon has provided our NATO allies with an incentive to maintain and improve their forces by stating that if they did so, the U.S. would maintain and improve its forces in Europe and would not reduce them without reciprocal reductions by the Warsaw Pact.

The phased withdrawal of U.S. forces on a unilateral basis would provide no incentive for the Soviet Union to reduce its armaments and forces in Europe, whether unilaterally or through MBFR negotiations. Indeed, such unilateral action on the part of the U.S. could encourage the Soviets simply to maintain their levels since there would be nothing to gain in return for reducing them and there would be some added political and military power to be gained by maintaining them.

QUESTIONS AND ANSWERS REGARDING TROOP WITHDRAWALS

Chairman McClellan. The following questions together with responses pertaining to troop withdrawals will be placed in the record at this point.

[The questions and answers follow:]

TROOPS IN EUROPE

Chairman McClellan. How many military personnel are stationed in Europe or afloat on ships in the area today, and how does this compare with each of the past five years. Isn't it true that of the reductions cited in your response to my question about troop reductions overseas, none of the reductions have been made from troops in Europe?

Secretary Schlesinger. The following chart provides a breakdown of U.S. Forces in Western Europe and related areas from 1961 through the end of 1973. As your question suggests, troop levels in these areas have remained fairly stable during the last five years, however, it is important to note that since 1961, U.S. troops have been reduced from a peak of approximately 448,000 to approximately 300,000.

U.S. MILITARY PERSONNEL IN
WESTERN EUROPE AND RELATED AREAS
(End of Calendar Year in Thousands)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Belgium	*	*	*	*	*	*	2	2	2	2	2	2	2
France	58	48	37	32	31	19	1	*	*	*	*	*	*
Germany	269	266	253	253	258	262	232	210	208	206	216	221	214
Iceland	3	3	3	2	2	3	3	3	3	3	3	3	2
Italy	11	11	10	10	10	10	10	10	10	10	10	10	12
Greece	2	2	3	3	3	3	3	3	3	3	3	3	4
Greenland	5	4	4	3	2	1	1	1	1	1	1	1	*
Libya	4	4	3	4	3	3	3	3	2	*	*	*	*
Morocco	8	7	2	2	1	2	2	2	2	2	2	1	1
Netherlands	1	1	1	1	1	1	2	1	2	2	2	2	2
Portugal/Azores	2	2	2	2	2	2	2	2	2	2	2	1	1
Spain	12	12	13	9	8	10	9	10	8	9	9	9	10
Turkey	10	11	10	10	10	11	10	9	9	7	7	7	7
United Kingdom	32	28	26	23	20	23	24	23	22	21	21	21	21
Other	1	2	2	1	3	1	1	1	1	1	1	2	1
SubTotal	(418)	(401)	(369)	(355)	(354)	(350)	(305)	(280)	(275)	(267)	(279)	(283)	(277)
+Afloat	30	18	10	16	23	26	26	26	25	24	24	24	23
TOTAL	448	419	379	371	377	376	331	306	300	291	303	307	300

*U.S. Military less then 1,000

NOTE: a. Totals may not add due to rounding
b. Excludes "Army Enroute" as being intransit
c. Afloat source data partially estimated for earlier years

PROPORTION OF U.S. FORCES

Chairman McClellan. What proportion of U. S. active duty military personnel is either assigned, earmarked or expected to participate in a NATO conflict? How many personnel are involved? How many military support personnel would be necessary to sustain these people in combat? What proportion of our current military strength is likely to be involved directly or indirectly in any NATO conflict?

Secretary Schlesinger. U.S. Forces are trained, manned, and equipped for world-wide use and deployment. It is difficult to predict what level of forces would be required to support a NATO contingency; perhaps the total US force structure. However, the United States formally commits to NATO on an annual basis only certain combat force units in Europe and in the United States. These commitments are made in order to provide NATO commanders (e.g., SACEUR and SACLANT) a firm basis for their operational planning and as a signal of US willingness to participate in the collective defense. Such commitments and their maintenance also serve as an incentive to the other NATO nations to make commitments and to maintain them. The major units which we now have formally committed in the NATO planning process plus those national forces that the Department of Defense considers could reasonably be expected to be available by M+30 for general NATO defense in event of conflict are shown in a classified table furnished separately to the Committee.

As was explained in the FY 1975 Defense Manpower Requirements Report, many definitions of combat and support personnel are possible. General Davidson, Commander in Chief, U. S. Army, Europe has testified that the "teeth-to-tail" ratio in Europe is 61 percent combat to 39 percent support and that it will soon be 62 to 38.

In response to the final question, about 60% of current U.S. active duty army personnel would be involved in a NATO conflict by M+30. As additional reinforcements arrived, this number could rise to over (D) of current active duty personnel.

(D) = Deleted

UNITED STATES

(deleted)

PROPORTION OF U.S. COSTS

Chairman McClellan. Your response to my first question indicates that about $30 billion is more or less directly related to U.S. forces for NATO. You excluded about $48 billion of the Defense budget that goes for strategic forces, research and development, and DOD administration. Obviously, a good deal of these costs are NATO-related, since your answer to question 17 cites need for NATO strategic nuclear forces. How much of the research and development program costs is directly related to NATO requirements? How much of the strategic forces costs would you allocate to NATO?

Secretary Schlesinger. Our research and development program is directly related to the needs of our own military forces and not to NATO as such. With or without the North Atlantic Treaty, the United States would still require modern and effective military forces. To keep those forces modern and effective, we would need just the kind of research and development program we are pursuing now. And, I might add that with or without the North Atlantic Treaty, the fate of Western Europe would still be a matter of foremost concern to the security of the United States.

With regard to the strategic forces, none of those costs are allocable to NATO as such. The strategic forces are obviously essential to the security of the United States itself. They also provide the essential foundation for the security of all of our friends and allies, including our NATO allies. Hence, there is no logical basis for prorating the costs of these forces to the U.S., NATO or our other friends and allies.

FRENCH FORCES IN NATO

Chairman McClellan. France has no forces assigned or earmarked to NATO and has withdrawn from the military part of the alliance. Don't you think that such an action is more significant than a US withdrawal of 15,000 or 50,000 US troops from Europe, if the US were still to retain its military commitment to fighting a NATO war?

Secretary Schlesinger. It is difficult to compare the French decision to withdraw from the integrated military organization of the Alliance with the possible withdrawal of some 15,000 to 50,000 US troops. France remains an active participant in NATO activities other than integrated defense. As a

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party to the North Atlantic Treaty, France would, under Article V of the Treaty take such action, including the use of armed forces, as it deemed necessary in event of an armed attack against one or more NATO members in Europe or North America. She also has forces stationed on German soil under a bilateral French-German agreement. Thus, French forces are still near possible areas of combat, whereas US troops withdrawn to CONUS would not be.

The US forces deployed in Europe constitute not only an essential element of NATO's substantial conventional defense capability; they also have a symbolic and psychological importance that could not be provided by the forces of any other NATO nation. SACEUR needs US troops in Europe, not just symbolically but even more importantly as the solid backbone of his deployed forces. In this respect, what we do in Europe is far more important than the French actions of 1966-1967.

Chairman McClellan. Why are French forces still counted as part of the military forces that "could be expected to participate" in a NATO conflict?

Secretary Schlesinger. France has withdrawn its forces from the integrated NATO military structure, and its forces are not integrated into SHAPE's day-to-day operational planning. However, France is still a member of the North Atlantic Treaty Organization, and participates fully in the deliberations of the North Atlantic Council. France also maintains military liaison missions with the NATO Military Committee and with Major NATO commanders.

As a full party to the North Atlantic Treaty, France is bound to take such action, including the use of armed forces, as it deemed necessary in the event of an armed attack against one or more of the Parties to the Treaty in Europe or North America. We have every reason to believe that France will do its part in the defense of Western Europe against a Warsaw Pact attack. It should be noted that most NATO nations, including the United States, have some forces which are not committed to NATO but which

are nevertheless considered likely to be available for NATO defense in the event of war.

Chairman McClellan. If the U.S. withdrew 50,000 troops, and deactivated them, but assigned an equal number of Asian-oriented forces to NATO, would there be any reduction of the number of U.S. forces that could be "expected to participate" in a NATO war?

Secretary Schlesinger. Yes. We do not plan, and cannot afford to plan, separate forces for each major contingency. In the event of a major conflict in Europe, we would expect to employ virtually all active general purpose forces (including those based in the United States), which we would also rely on for an Asian contingency. This is the essence of the so-called 1 1/2 war strategy upon which current force planning is based. Therefore, a reduction of 50,000 U.S. troops in Europe could not be replaced by "shifting" assignments from Asia to Europe.

It should also be noted that forces based elsewhere are not a good substitute for ready forces in Europe. The military balance in Europe today is very delicately poised; any major reduction of forward deployed forces on the NATO side, without a commensurate reduction on the Warsaw Pact side, would leave Western Europe extremely vulnerable to surprise attack.

NATO DEFENSE EXPENDITURES

Chairman McClellan. Would you have a table prepared that responds fully to my request for the NATO allies budgets from 1955 to 1973, and shows these budgets in constant dollar figures, with pay and price inflation removed? (This data was requested in question 5, but time didn't permit preparing the full response.) Also, please compare the grand total of the European defense expenditures (with and without France) in FY 1973, '74 and '75, with the US defense budget.

Secretary Schlesinger. The Table I submitted in response to question 5 in your letter of June 14, 1974, showed the defense expenditures of our NATO allies, as well as the U.S., for the years 1955, 1960, 1965, 1970 and 1973, in current prices, converted from local currencies to U.S. dollar equivalents at 1973 exchange rates, as described in the footnotes to the table. Table I also showed defense expenditures as a percentage of GNP and percent-

age of total central government spending for each NATO country. A second brief Table II showed U.S. defense expenditures in constant 1972 dollars for 1965, 1970, 1973, 1974, and 1975.

As stated in our response to question 5, however, comparable data in constant prices for U.S. NATO allies are not available. The NATO Economic Committee and the Economic Directorate of the NATO International Staff currently are examining the problems raised by the effects of inflation on defense expenditures and are attempting to develop suitable indices which would allow military expenditures to be expressed in constant prices.

In the past, NATO has used two types of indices: (1) implicit price indices derived from a comparison of defense expenditures in current and constant prices provided by member countries to the Organization for Economic Cooperation and Development (OECD) in response to the annual OECD questionnaire; (2) price indices communicated by member countries to the NATO International Staff in response to the Financial Section of the NATO Defense Planning Questionnaire.

Important gaps appear in the OECD indices. Frequently, the data are incomplete. During the past two years, the OECD has stopped requesting this type of information from its members. This is because the OECD is reviewing and attempting to improve the overall system of national accounts definitions, reporting and methods of which the defense expenditures data are a part. At present, the OECD, in cooperation with other international organizations, is making a study of methods to be applied when converting national accounting data, including defense expenditures data, from current to constant prices.

Similarly, the price indices provided by NATO countries to the NATO International Staff have been limited to very rough projections, difficult to prepare and the source of numerous problems. Therefore, in an effort to improve the statistical methods used in converting national defense expenditures to constant prices, the NATO Economic Committee held an explanatory meeting, in May of 1974, with the participation of national experts. A

second meeting of the NATO Economic Committee to discuss proposed improvements in methodology is expected about September 1974. At an appropriate stage, it is expected that the new methodologies being developed by the OECD and the NATO Economic Committee will be coordinated to insure that the defense expenditures data methodology will be compatible with the revised OECD national accounts system.

The grand total of the (NATO) European defense expenditures (with and without France) in calendar year (CY) 1973 (based on the data previously submitted in Table I) in current prices, compared with U.S. defense expenditures in CY 1973, is as follows:

Total Defense Expenditures of US and European NATO-CY 1973
(Current Prices-1973 Exchange Rates - $ Billion)

	Defense Expenditures (NATO Definition) CY 1973
NATO Europe (Including France)	39.88
NATO Europe (Excluding France)	30.38
U.S.	78.46

Fiscal year totals for NATO Europe are not available. Data on projected total defense expenditures of European NATO for CY 1974 are not yet available, but are expected to become available at the end of CY 1974. Data on total NATO defense expenditures for CY 1975 are not available and attempts to make realistic estimates are handicapped by rising costs due to inflation plus large and frequent changes in foreign exchange rates.

I will provide for the record at this point Tables I and II, which were submitted to the Committee earlier. (The information follows:)

TABLE I

Gross National Product, National Budgets and Defense Expenditures of the U.S. and NATO Allies -- 1955, 1960, 1965, 1970 and 1973

	GNP Current Market Prices; 73 Ex Rate ($ Mil) CY	Total National Budget Current Prices; 73 Ex Rate ($ Mil) FY	Defense Expenditures (NATO Definition) Current Prices; 73 Ex Rate ($ Mil) CY	As % GNP at Market Price CY	% Total Budget Expend. FY
Belgium					
1955	11,330	-	422	3.7	-
1960	14,170	-	476	3.4	-
1965	21,050	5,209	660	3.1	12.7
1970	32,030	8,544	930	2.9	10.9
1973	44,400	12,274	1,220	2.7	9.9
Canada					
1955	28,130	-	494	1.8	-
1960	38,100	-	1,654	4.3	-
1965	55,030	7,735	1,659	3.0	21.6
1970	85,000	15,788	2,061	2.4	12.7
1973	117,500	22,850	2,390	2.0	10.9
Denmark					
1955	4,595	-	147	3.2	-
1960	6,550	-	177	2.7	-
1965	11,170	2,320	314	2.8	14.3
1970	18,560	5,471	439	2.4	8.6
1973	27,100	7,920	590	2.2	7.6
France					
1955	37,060	-	2,396	6.5	-
1960	65,560	-	4,166	6.4	-
1965	106,480	22,954	5,500	5.2	24.0
1970	175,920	36,128	7,218	4.1	20.0
1973	247,650	43,847	9,000	3.6	20.6

	GNP Current Market Prices; 73 Ex Rate ($ Mil) CY	Total National Budget Current Prices; 73 Ex Rate ($ Mil) FY	Defense Expenditures (NATO Definition) Current Prices; 73 Ex Rate ($ Mil) CY	As % GNP at Market Price CY	% Total Budget Expend. FY
FRG					
1955	65,730	-	2,546	3.9	-
1960	104,260	-	4,179	4.0	-
1965	158,790	22,852	6,867	4.3	30.1
1970	236,450	30,093	7,784	3.3	25.9
1973	319,700	41,461	10,900	3.4	26.3
Greece					
1955	2,445	-	123	5.0	-
1960	3,580	-	170	4.8	-
1965	5,980	1,112	210	3.5	18.9
1970	9,796	2,331	474	4.8	21.9
1973	16,400	3,192	650	4.0	20.3
Iceland					
1955	45	-	-	-	-
1960	85	-	-	-	-
1965	215	-	-	-	-
1970	430	-	-	-	-
1973	903	-	-	-	-
Italy					
1955	26,640	-	973	3.7	-
1960	38,630	-	1,253	3.2	-
1965	65,170	14,938	2,145	3.3	14.3
1970	103,120	25,263	2,765	2.7	10.9
1973	142,850	34,234	4,220	3.0	12.3
Luxembourg					
1955	458	-	15	3.3	-
1960	612	-	7	1.1	-
1965	821	220	12	1.4	5.4
1970	1,266	329	10	0.8	3.1
1973	1,590	439	14	0.9	3.3

	GNP Current Market Prices; 73 Ex Rate ($ Mil) CY	Total National Budget Current Prices; 73 Ex Rate ($ Mil) FY	Defense Expenditures (NATO Definition) Current Prices; 73 Ex Rate ($ Mil) CY	As % GNP at Market Price CY	% Total Budget Expend. FY
Netherlands					
1955	10,200	-	581	5.7	-
1960	14,400	-	592	4.1	-
1965	23,380	5,788	930	4.0	16.1
1970	39,350	10,250	1,359	3.5	13.3
1973	57,000	15,814	1,940	3.4	12.2
Norway					
1955	3,920	-	159	4.1	-
1960	5,290	-	177	3.4	-
1965	8,215	1,676	317	3.9	18.9
1970	13,160	3,024	463	3.5	15.3
1973	18,050	4,424	600	3.3	13.7
Portugal					
1955	2,060	-	87	4.2	-
1960	2,800	-	119	4.3	-
1965	4,220	708	262	6.2	37.0
1970	6,880	1,245	491	7.1	39.5
1973	9,950	1,710	600	6.0	35.6
Turkey					
1955	1,504	-	77	5.1	-
1960	3,493	-	172	4.9	-
1965	5,480	1,049	273	5.0	26.5
1970	10,490	2,297	446	4.3	19.9
1973	20,850	4,406	890	4.3	21.1
UK					
1955	47,690	-	3,904	8.2	-
1960	64,020	-	4,121	6.4	-
1965	88,680	21,056	5,209	5.9	25.2
1970	125,300	33,491	6,088	4.9	19.4
1973	171,100	44,345	8,720	5.1	19.9

	GNP Current Market Prices; 73 Ex Rate ($ Mil) CY	Total National Budget Current Prices; 73 Ex Rate ($ Mil) FY	Defense Expenditures (NATO Definition) Current Prices; 73 Ex Rate ($ Mil) CY	As % GNP at Market Price CY	% Total Budget Expend. FY
U.S.					
1955	398,000	-	40,371	10.1	-
1960	503,800	-	45,380	9.0	-
1965	684,900	134,652	51,827	7.6	42.3
1970	977,100	211,425	77,854	8.0	36.7
1973	1,289,100	268,700	78,460	6.1	30.2
NATO Europe					
1955	213,677	-	11,430	5.4	-
1960	325,450	-	15,609	4.9	-
1965	409,436	99,882	22,699	4.5	22.8
1970	772,422	188,269	28,467	3.7	18.1
1973	1,076,620	214,057	39,375	3.7	18.5
NATO North America					
1955	426,130	-	40,865	9.6	-
1960	541,900	-	47,034	8.7	-
1965	739,930	142,387	53,486	7.2	37.6
1970	1,062,100	227,213	79,915	7.5	35.2
1973	1,406,600	291,550	81,850	7.8	27.7
Total NATO					
1955	639,807	-	52,295	8.2	-
1960	867,350	-	62,643	7.3	-
1965	1,239,366	242,269	76,185	6.2	31.4
1970	1,834,522	415,482	108,382	5.9	28.1
1973	2,483,220	505,607	121,225	4.9	23.8

Footnotes to Table I

In the interest of uniformity with other data provided to the Congress by the Department of State and the Agency for International Development, the GNP data in the table are in terms of current market price for both the U.S. and U.S. allies. For the same reason, country data on GNP, national budgets and defense expenditures have been converted from local currencies to U.S. dollar equivalents at 1973 exchange rates used by State and AID, as follows:

Country	Exchange Rate per Dollar
Belgium	40.33 francs
Canada	1.00 C $
Denmark	6.28 kroner
France	4.60 francs
Germany, Fed Rep	2.90 D.M.
Greece	30 drachmas
Italy	566.6 lire
Luxembourg	40.33 francs
Netherlands	2.92 guilders
Norway	5.98 kroner
Portugal	25.50 escudos
Turkey	14 liras
United Kingdom	0.4016 pounds

The data on GNP at market prices presented in the table differ from the data on GNP at factor cost normally used in NATO forums. Therefore, the measure of percent of GNP allocated to defense expenditures also differs. In addition, the data on GNP, national budgets and defense expenditures have been converted to dollars, in some cases at slightly different 1973 exchange rates than used in earlier NATO documents.

All of the GNP, national budget and defense expenditures figures have been uniformly converted into U.S. dollar equivalents on the basis of the 1973 exchange rates listed above. A conversion in current exchange rates for each year would, to some extent, reflect the impact of monetary events. For example, the currency alignments in 1972 and 1973 increases the valuation of GNP in $U.S. for most NATO countries. The conversion in 1973 exchange rates has made it possible to eliminate the effects of exchange rate revisions. It should, however, be borne in mind that the changes in the figures which thus seem to follow a much more regular trend do not give a satisfactory account of the development of a country's GNP in the years prior to 1973, the GNP estimates in U.S. $ for earlier years being understated in the case of countries whose currency has been devaluated and overstated in the case of those whose currency has been reevaluated.

TABLE II

U.S. Defense Expenditures
In Constant 1972 Prices (Billion $US)

	Fiscal Years (FY)				
	1965	1970	1973	1974	197[illegible]
U.S. Defense Expenditures	69.1	89.5	69.2	68.3	67.[illegible]

ALLIED COOPERATION DURING MIDEAST WAR

Chairman McClellan. Your response about allied cooperation and restrictions seem to be different from testimony provided during our hearings on the FY 1974 Supplemental request. The Air Force indicated that a great deal of extra effort and refuelings were required in the movement of aircraft because only one European base was available. Can you tell us if the U.S. decided not to use other bases besides Lajes because we didn't think we could get our allies to permit us to do so, even though they didn't specifically restrict us in advance? Why was there so much testimony provided about the difficulty of staging the resupply airlift to Israel?

Secretary Schlesinger. The earlier responses about allied cooperation and restrictions were based on the testimony of Deputy Secretary of Defense Clements and that of Admiral Moorer. We believe that utilization of Lajes was the most effective and timely way to arrange and carry out the airlift expeditiously. With some sacrifice in payload and some additional risks, we carried out an airlift to Israel which met the requirement and caught up to the Soviet airlift within a few days, using only a portion of our airlift fleet, and without any losses. As we have said before, there was some silent cooperation from other countries, but we believe that it would have caused unnecessary delays and other difficulties to attempt to gain permission for use of bases elsewhere, especially since we knew that we could carry out an effective airlift using only Lajes. The airlift to Israel was indeed a difficult undertaking, but our armed forces more than measured up to the challenge.

Chairman McClellan. Don't you believe the United Kingdom restriction of use of their bases for reconnaissance flights is a significant indication of non-cooperation? (deleted) Do you think this is fair and reciprocal treatment for what we provide to the Europeans in the form of our troops and money?

Secretary Schlesinger. As previously indicated in response to a related question from the Committee, we were disappointed, but not surprised, when some of our Allies did not agree, at least initially, with our assessment of what was at stake in the recent Middle East conflict. Accordingly, we could accept the fact that their early and localized perception of the conflict and their own national interests, particularly their very great

dependence on Arab petroleum imports, led to policy judgments and actions which were different from our own.

Chairman McClellan. How has this country "clarified" our rights to move U.S. equipment out of Germany? Is there anything that would prevent the Germans from issuing statements restricting these "rights" in the future -- as they did during the Mideast war?

Secretary Schlesinger. In discussions with the Federal Republic of Germany's Minister of Defense and other government officials it has been made perfectly clear that the United States must and will retain its right to use its Europe-based resources in pursuit of its unilateral national interests and objectives. The FRG understands and appreciates that United States forces, equipment and supplies are located in the FRG as part of the Alliance's common defense effort and that significant advantages accrue to NATO -- and to the Federal Republic of Germany -- because of their immediate availability and proximity to the potential battlefront. Moreover, the FRG recognizes that it would be inimical to Germany's national interests if United States resources were relocated in order to achieve the flexibility we require to employ our limited defense assets, world-wide. This recognition serves as an effective bar to the FRG's imposing, or attempting to impose, restrictions on the United States' use of its national resources situated in Germany.

ESTIMATES OF FORCES AND CAPABILITY

Chairman McClellan. You stated that "We cannot make a precise estimate of the NATO or U.S. force required to defend in Europe, and we cannot confidently predict how long NATO could fight conventionally". How much allied agreement or disagreement is there on the level of U.S. forces required, and the time that NATO could fight conventionally? Do our allies think more or fewer troops from this country should be stationed in Europe? How long does each NATO country believe the alliance members could last in a NATO conflict (non-nuclear)?

Secretary Schlesinger. There is Allied agreement that the level of U.S. forces presently maintained for NATO are required and should not be reduced. [deleted] Allies press strongly for maintenance of the present level of U.S. troops in Europe, and they have done much to encourage

retention of those forces, for example, the U.S.-FRG offset agreement, other Allied burdensharing actions, and Euro-Group programs. (deleted)]

JACKSON-NUNN AMENDMENT

Chairman McClellan. Is it your understanding that the Jackson-Nunn Amendment requires offsetting only the FY 1974 U.S. NATO-related balance of payments expenditures? Aren't the FY 1975 costs to be offset -- or does this require additional legislation?

Do you think soft loans to the U.S. (rather than equipment purchases) provides a reasonable means of offset? Isn't this a diversion, rather than a real offset?

Secretary Schlesinger. The language of the Jackson-Nunn Amendment provides that the Allies shall offset FY 1974 U.S. defense balance of payments expenditures resulting from the deployment of forces in Europe in fulfillment of our NATO Treaty commitments. Discussions on the floor of the Senate also indicate that Congress did not intend that the Allies offset non-NATO-related U.S. defense BOP expenditures, such as those for strategic forces. The Department of Commerce, in consultation with DoD and GAO, is proceeding along these lines.

We consider the FRG purchase of U.S. securities, when part of an overall package, to be a reasonable means of offset. While the economic impact differs from that of a direct budgetary support payment or an actual purchase of U.S. manufactured military related items, it does result in a definite transfer of funds. The FRG has agreed to purchase approximately $843 million of special U.S. Government securities at 2 1/2 percent interest for a seven year period. The significant interest savings alone resulting from this loan, together with other elements of the recent U.S.-FRG offset agreement (i.e., troop facilities rehabilitation, absorption of taxes and airport fees) substantially cover the additional costs we bear to deploy U.S. troops in Germany as opposed to the Continental United States.

Chairman McClellan. In your written response to my question about the Jackson-Nunn Amendment, you indicated that our European Allies would be able to offset any deficit by a combination of (1) the recently concluded US-German offset agreement for FY 1974-1975 and (2) European procurement of US military related items.

You indicated that the total offset agreement with Germany is $2.2 billion over a two year period.

Would you provide us with a list of the military items and dollar values that will be procured in FY 1974 and FY 1975 that will "count" against the Jackson-Nunn requirements?

Secretary Schlesinger. The elements of the FY 1974-1975 US-FRG Offset Agreement are as follows:

Item	$ Millions
Procurement of US Military Equipment	1,030
Troop Facilities Rehabilitation	225
Real Estate Taxes and Landing Fees	8
Uranium Enrichment Services	75
Energy R&D Projects	37
Securities (7 yrs. @ 2½%)	843

It is difficult to predict precisely the military procurement cycle in the FRG (particularly for FY 75). However, our best estimate of payments from the FRG in connection with major purchases agreed to during the negotiations is:

FRG Procurement Payments Associated with FY 74-75 Offset Agreement

FMS

Air Force	$ Millions	
- Aircraft:		
F-4F	104	
R-F4E	20	
F-104/T-37/F33 Mod	31	
CH-53	9	
- ELINT	10	
- Missile Improvement	46	
- Ammunition	5	
- Training in US	88	
- Engineering & Technical Services	9	
- MOI Helicopters (B212)	26	
Sub-Total		348

Army		
- Missile Improvement	20	
- Ammunition	2	
- LANCE	24 (Remaining payment $80M)	
- M-113 (Dieselization of 2900 VEH)	8 (Remaining payment $24M)	
- Improved HAWK	200 (Total Order $400M)	
- TOW	50 (Total Order $60-90M)	
Sub-Total		304
Navy		
- Bregnet Atlantique	3	
- Ship Mod/SM-1 Missile	22	
- S3A	35 (Total Order 222)	
Sub-Total		60
Miscellaneous		
- Cooperative Logistics	67	
- Projects Under $1M	52	
Sub-Total		119
Commercial Purchases		
- Direct procurement throuch commercial channels for such German co-production programs as CH-53, UH-1H, Improved HAWK; et al.	280	
Sub-Total		280
TOTAL (FY 74-75)		1,111M

Our other NATO European Allies calculate that their purchases of US military related equipment will total over $1 billion in FY 74 alone. We do not have a list of items included in that estimate; but the NATO International Staff has requested the Allies to provide a detailed breakdown which can be presented to the Congress.

TROOP WITHDRAWALS AND MBFR

Chairman McClellan. Suppose a moderate U.S. troop withdrawal were offset by an increase of an equal number of German, British or other European forces. Would there be any reduction in NATO's ability to defend itself?

In such a situation, do you think the mutual and balanced force reduction talks would be hampered in any way? Explain how.

Why can't we agree to do such a thing, and thereby reduce U.S. forces stationed in Europe while still continuing the MBFR negotiations?

Secretary Schlesinger. I see three reasons why the proposal you suggest would not be efficacious. The first is the very practical problem posed by the current economic situation in Western Europe.

The question assumes the capability of the Allies to replace American forces. We are seeking mutual reductions in part because that capability does not exist. Fiscal constraints due to the skyrocketing price of oil and general inflation make increases in men under arms a near term impossibility for our Allies. In light of this situation it is impossible to answer in the abstract the effect on NATO's defensive ability.

Second, were this hypothetical exchange of forces possible, the effects on the MBFR negotiations could be adverse. The Soviets might view the "moderate U.S. troop withdrawal" as a sign of more to come. Thus such a move might decrease serious Soviet participation in MBFR negotiations.

Third and most important is the issue of what we buy with U.S. troop reductions in Europe. It has been our position, and it is an agreed NATO position, that the mutual reductions we are negotiating in the MBFR talks should begin with a first phase of U.S./Soviet reductions. We believe the Soviets will reduce forces in Central Europe in exchange for U.S. reductions. Thus we want to use every U.S. soldier withdrawn from Europe to buy the withdrawal of Soviet troops from Eastern Europe. A withdrawal of U.S. forces, even a "moderate withdrawal" compensated by West European increases as you suggest, would result in a real diminution of our ability to achieve Soviet reductions in Eastern Europe.

FORCE CONTRIBUTIONS OF EUROPEAN ALLIES

Chairman McClellan. Have our European allies been reducing their forces rather than increasing them during the past year or two?

Secretary Schlesinger. The fairest answer is that the Europeans collectively have neither been reducing nor increasing their combat forces available to NATO during the past year or two. The U.S. pledged to maintain and improve its forces, given similar performance by our allies; NATO members promised to make no unilateral reductions except in the context of mutual and balanced reductions.

Chairman McClellan. Would you provide a table that shows the active military strength in Europe of each NATO ally during the past 6 years, including their current strength?

Secretary Schlesinger. Yes, sir. (The information follows:)

(Strength Figures in Thousands)

	1968	1969	1970	1971	1972	1973	(current) 1974
Belgium	106	99	99	107	107	108	108
Canada *	10	10	5	5	5	5	5
Denmark	47	44	42	45	42	38	37.95
France	572	566	571	569	574	581	583.3
FRG	454	457	455	472	457	461	495
Greece	180	179	179	179	185	186	185.4
Italy	478	486	522	526	541	548	548.3
Luxembourg	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Netherlands	119	117	112	113	115	114	113.6
Norway	37	37	37	36	38	39	34
Portugal **	200	219	229	244	260	276	287.2
Turkey	564	607	625	615	561	563	535***
UK	420	401	384	385	381	380	369.5

* Canadian Armed Forces (CAF) Aggregate Strength 81,600

** Portuguese figures are aggregate/during 1968-74 timeframe Portuguese forces have been deployed in support of their overseas/African colonial possessions. Recent political developments portend a drawdown in this percentage.

*** The reduction from 1973 to 1974 is in paramilitary forces.

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COOPERATION OF NATO ALLIES IN MIDEAST WAR

Chairman McClellan. Why didn't we formally request the use of more than one base? Did we informally request use of other bases which would have enhanced the efficiency of our airlift operations? Did our allies informally turn us down?

Secretary Schlesinger. Requests for use of allied bases are carried out through diplomatic channels. When it became apparent that the use of MAC aircraft was going to be necessary to airlift supplies to Israel in order to maintain a strategic balance in the Middle East, the Defense Department urged immediate representation to the Portuguese asking permission to use their base on Lajes in the Azores. The use of Lajes permitted a highly successful airlift effort as mentioned earlier. There was some silent cooperation from other countries, but we believe that it would have caused unnecessary delays and other difficulties to attempt to gain permission for use of bases elsewhere, especially since we knew that we could carry out an effective airlift using Lajes. Not making further requests was consistent with the U.S. efforts to maintain as low a profile as possible during the Middle East crisis.

MUTUAL AND BALANCED FORCE REDUCTIONS

Chairman McClellan. The Communique issued June 20, 1974, from the NATO ministerial meeting says that the objective of the Mutual and Balanced Force Reduction talks is ". . . establishing approximate parity between the two sides in the form of a common ceiling for overall ground force manpower on each side in the area of reductions, taking into account combat capability."

How do you compare combat capability on both sides, as well as sustaining combat capability?

Secretary Schlesinger. There are many methodologies for comparing NATO and Warsaw Pact combat capability. Rather than rely on any single methodology the United States Government has employed a range of these in order to bring the best analytical tools to bear and to provide the various insights which each methodology can provide. The methodologies can include comparisons of manpower, major combat units, sustaining support capability, major items of equipment and weapons effectiveness indicators, including such things as mobility, vulnerability and fire power. We have looked not

only at forces on the ground in Europe but also reinforcements from outside the area. Factors such as reinforcement and logistic stockpiles are important in comparing sustaining combat capability.

The point in the NATO ministerial communique about "taking into account combat capability" is that manpower should not be the sole basis for an agreement on reduction of forces in Central Europe. There are three basic disparities which the Allies have emphasized in these negotiations. First, is the ground force manpower disparity which the East maintains over the West in the area of reductions. Second, there is a geographic disparity in that the Soviet Union is located adjacent to the area of reductions while the United States is an ocean away. The third disparity is armor; the East has 13,500 tanks in active units in the area of reduction while NATO has only 6,000. We are taking into account all of these disparities in the proposals we have made to the East.

B-1 BOMBER

Chairman McClellan. Since the B-1 has increased so greatly in price ($45 million to $65.1 million per copy), shouldn't the Congress seriously consider reorienting the program to producing more austere bombers to replace the aging B-52 bomber fleet?

Secretary Schlesinger. While it is true that the estimated program unit cost of the B-1 has increased from $45.6 million in 1970 to today's estimate of $61.5 million, over two-thirds of this increase ($10.8 million) has been due to increases in the allowance for inflation. Thus, the real cost growth on the B-1 program is 12%, when measured in constant 1970 dollars. Past studies have shown that the B-1 is the most cost effective replacement for the aging B-52. However, I have initiated a comprehensive Bomber Force Modernization Study to examine a range of possible strategic bomber force mixes in the 1980s. The first phase of this study is scheduled for completion later this year and the results will be made available to the Congress.

Chairman McClellan. Is it true that the B-1's weight has already reached maximum capacity (landing gear can't accept any more) and that it will not meet the ranges that were originally required without additional refueling or reduction in payload?

Secretary Schlesinger. The B-1, with a take-off gross weight of 395,000 lbs, (the design maximum for the landing gear), a payload of 50,000 lbs, and one KC-135 tanker air-to-air refueling is currently assessed to have a subsonic mission range of [D] miles. This is 425 miles less than the development estimate of [D] miles. However, the development estimate was a design goal, not a requirement.

The using command (Strategic Air Command) has investigated this predicted capability and has determined it will meet SAC mission requirements. The reduction in range identified in the SAR can also be partially or completely offset by changes in low level penetration distance or penetration speed, variations in payload or other alternatives available to the operational planner.

Chairman McClellan. Is it true that the prelaunch characteristics of the KC-135 tanker is incompatible with the B-1 and therefore we are going to have to develop a new tanker?

Secretary Schlesinger. There is no incompatibility of prelaunch characteristics that would require developing a new tanker to support the B-1. Ongoing studies show that the ability of the KC-135 tanker to survive a surprise missile attack, even under severe postulated future threats, is quite consistent with that of the B-1. Also, the air refueling flight envelopes of the B-1 and KC-135 are entirely compatible. A new tanker will be needed eventually to replace the KC-135s as they wear out.

Chairman McClellan. Does the Soviet Union possess a "look-down/shoot-down" radar capability? Are there surface to air missiles capable of nullifying the effectiveness of the B-1?

Secretary Schlesinger. [deleted]

Surface-to-air missiles (SAMs) increase the threat to any aircraft flying through the SAM's effective area. [deleted]

(D) = Deleted

[deleted] The B-1 was designed to minimize its vulnerability to surface-to-air missiles. The combination of low penetration altitude and [D] Mach penetration speed will make it a difficult target for a surface-to-air missile. Experience gained in Southeast Asia and the Mid East conflict, along with current studies, indicate that through the application of these tactics, and with the aid of improved defensive systems, the B-1 will be effective even against a severe surface-to-air missile threat.

COUNTERFORCE CAPABILITY

Chairman McClellan. Doesn't the U.S. already have the capability to selectively strike military targets? How many military targets are already in this country's strategic war plan -- the Single Integrated Operation Plan (SIOP)?

Secretary Schlesinger. The United States has had the capability for many years to attack military as well as urban/industrial targets. In fact, the majority of the several thousand targets in the SIOP are military targets.

The purpose of the new targeting doctrine is to provide the President with a greater number and variety of pre-planned nuclear retaliatory options so that he may have the flexibility he needs to select an appropriate response to a wide range of possible attacks against the U. S. or our allies. He currently has several different pre-planned options, including military strike options, but they are all rather massive responses. He will continue to have these massive options, but, in addition, the new targeting doctrine will provide a number of smaller, more selective pre-planned options and options that can be adapted to the situation that exists at the time.

Chairman McClellan. The Department is proposing so much increased funding for new or ongoing strategic programs this year -- air and sea launched cruise missiles, mobile ICBMs, new strategic submarines, increased B-1 funding, operational base launches of Minuteman. Is it really essential to spend some $300 million for accuracy, yield and retargeting improvements to our missile force to maintain the strategic balance?

Secretary Schlesinger. If the Soviets replace their currently operational ICBMs with the new family of MIRVed ICBMs they are presently testing and we

(D) = Deleted

make no further improvements in our ICBM forces, the current strategic balance would be upset, i.e., the Soviet Union would have a much greater hard-target counterforce capability than the U.S. in the 1980s. Such an imbalance could tempt the Soviet Union in a crisis to confront the United States with the threat of a hard-target counterforce attack to which we would have no appropriate response, short of attacking cities or less valuable military targets or backing down on the issue in dispute.

The new R&D initiatives proposed in the FY 75 Budget are intended to serve two purposes:

(1) Dissuade the Soviet Union from exploiting fully its marked superiority in ICBM numbers and throw weight by making it clear that we do not intend to allow them to achieve a major counterforce advantage over us.

(2) Failing that, we want to place ourselves in a position to improve our counterforce capabilities in order to maintain the strategic balance and deter the USSR from using its potentially great counterforce capability against us.

Chairman McClellan. Are we ahead or behind Russia in quality and quantity of weapons and strike capability at the present time?

Secretary Schlesinger. A comparison of FY 1975 U.S. and Soviet forces shows the Soviets ahead in some measures of capabilities and inferior in others. For example, the Soviets have a lead in the number of strategic nuclear delivery vehicles (missiles and bombers), ICBM throw weight, and total force megatonnage. On the other hand, the U.S. leads in the number of independently targetable warheads, missile accuracy, and bomber payload capability.

The problem arises in the early 1980s when projections show the Soviets with substantial advantages in almost all measures of effectiveness if no new SALT agreement is reached which restricts the Soviet force-wide improvements now in progress. With the long lead times inherent in strategic weapon development, it is imperative that the U. S. be in a position to maintain essential equivalence if Soviet developments cannot be constrained, either through negotiations or U. S. program initiatives.

Chairman McClellan. Would you interpret an announcement by the Russians that they intend to increase their yield and greatly improve their accuracy to mean that they are seeking a first strike capability?

Secretary Schlesinger. The following discussion assumes the question refers to a disarming first-strike capability, i.e., a capability which could reduce an opponent's strategic offensive forces to the point where they could no longer cause unacceptable damage to the initiator.

Neither we nor the Soviet Union have the ability to achieve a disarming first-strike capability. For example, neither side is likely to acquire a capability to destroy in a surprise attack the other side's SLBM force at sea. An increase in the accuracy and yield of Soviet warheads, however, could still be extremely destabilizing because it could provide them with a superior capability to attack hardened targets. This superiority could tempt the Soviet Union in a crisis to confront the U.S. with the threat of a hard-target counterforce attack to which we would have no appropriate response. Such a major asymmetry in counterforce capabilities would be inconsistent with our goal of essential equivalence in strategic power.

Chairman McClellan. Does the Defense Department believe there is a "two party enforceable contract" between the Navy and Grumman Aircraft for the FY 1974 aircraft?

Secretary Schlesinger. The FY 1974 contract for 50 F-14 aircraft was negotiated in August 1973 and was submitted to the Senate Armed Services Committee later that month. On September 24, 1973 the contract document was signed by both parties subject to the existing advance payment agreement between Grumman and the Navy, the enactment of the FY 1974 DoD Appropriation Authorization Act and the DoD Appropriation Act without limitations inconsistent with the contract terms, and later modification of the contract to establish the "effective date" thereof. Section 807 of the FY 1974 DoD Appropriations Authorization Act, enacted in November 1973, required that notice be given to the Congress of any proposed advance payments in excess of $25 million to be made under DoD contracts. To avoid any question as to the construction of section 807 as it relates to this

contract, on June 4, 1974 the Acting Secretary of the Navy notified the Chairmen of the Senate and House Armed Services Committees of the Navy's intent to increase advance payments to Grumman for the F-14 program. Until the required period following this notification to Congress has elapsed, the contract providing for such advance payments will not become effective.

Chairman McClellan. What are the exact amounts of the advance payments to be made and has Grumman agreed to pay higher interest rates when repaying the loan?

Secretary Schlesinger. Advance payments to be made by the Navy are presently estimated to reach $94.2 million in mid-1975. This figure is a projection and could vary to some degree. Accordingly, a maximum advance payment authorization of $100 million was established. Grumman has agreed to a floating interest rate based on the semi-annual rate established by the Treasury Department under P. L. 92-41. The initial rate will be 9 1/8% per annum.

Chairman McClellan. Do you believe that Grumman should be paying dividends while the U. S. Government makes those advance payment loans?

Secretary Schlesinger. The existing advance payment pool agreement permits the Grumman Corporation to pay cash dividends up to 50% of its consolidated after-tax earnings in each year. This provision is in accordance with the 8 March 1973 Agreement between the Secretary of the Navy and the president of Grumman Corporation.

One of the purposes of that Agreement was to maintain and foster a basis for re-entry of commercial credit. Such re-entry of commercial credit is an objective not only of the Department of Defense but also of the Congress.

It is our judgment that the ability of Grumman Corporation to continue payment of dividends will be looked upon as a favorable factor by financial institutions in the negotiations covering resumption of private credit.

Chairman McClellan. Do you intend to put the new F 401 engine or the F-100 in the F-14?

Secretary Schlesinger. There are no plans to re-engine the F-14.

Chairman McClellan. Explain the role of the lightweight fighter with the F-14?

Secretary Schlesinger. In the event of a major conflict, the Navy would be tasked with the defense of our sea lines of communication. Included in this effort would be a requirement to defend shipping against massed bomber and cruise missile attacks. The F-14/PHOENIX has been designed for that role. In other less demanding scenarios, the Navy is tasked to provide striking forces for contingency operations. This has been a prime mission for the carrier during the last 25 years. While F-14 armament includes a gun and short range missiles, and its performance in dogfights is highly satisfactory, its long range all weather weapons system represents an unnecessary capability (and cost) in contingency scenarios. The Navy lightweight fighter (VFAX) would be a highly capable dogfight aircraft as well as a platform for delivering conventional air to ground ordnance. While replacing the A-7 as the Navy's primary light attack aircraft and the F-4 as a Marine fighter/attack aircraft, its dogfight performance and weaponry would enable it to complement the F-14, especially in the contingency operation fighter role. The Navy fighter program is being structured to provide sufficient numbers of F-14s to be responsive to major conflict SLOC air defense requirements, and then fill out the carrier decks with the lesser cost, but equally effective for contingency operations, VFAX.

AIRBORNE WARNING AND CONTROL SYSTEM (AWACS)

Chairman McClellan. Has the AWACS large surveillance radar been tested in a heavy electronic countermeasure environment?

Secretary Schlesinger. During 1973, the AWACS radar was subjected to the most powerful airborne jamming aircraft operationally available in the world -- [deleted] No degradation to the AWACS radar was observed. During the summer and fall of 1974, the ECM jamming tests will be intensified both from a ground and an air ECM threat standpoint using heavy, different kinds of ECM aircraft equipment, antennas, antenna gains, jammer bandwidths, power

densities, and operational tactics. These tests will be very rigorous and [deleted] They will comprise the most vigorous jamming "hardness" tests ever conducted against a single airborne command and control aircraft. We fully expect the ECCM characteristics of the AWACS radar to be able to resist--without degradation--this powerful offensive electromagnetic environment or to tell us under what conditions (i.e., ranges, power densities, etc.), the system becomes degraded.

Chairman McClellan. Will all NATO countries be capable of using and willing to cooperate with deployment of the AWACS? Will they buy it?

Secretary Schlesinger. Although all of the 15 NATO countries have been invited to participate in the NATO AWACS Special Task Groups (STG) activities, only about seven nations are actively involved and understandably these are the countries most interested in defense and which are economically able to participate in the project [deleted] The interest of the remaining NATO countries varies from an attitude of "we'll wait and see what kind of operational requirement SHAPE approves" to "we're very interested in it from a technical standpoint and we'll have to determine how to work it into our defense budget." The U.S. personnel connected with the project believe it will evolve into a common funded financial arrangement with [deleted] The remaining countries have NADGE sites and would be obliged to cover whatever NADGE modifications were necessary. The total NADGE modifications are estimated at not more than 10% of the AWACS acquisition costs. We believe the [deleted] [deleted] will support the NATO AWACS program if the SHAPE Technical Center studies and Hq SHAPE military requirement documents indicate that the AWACS is cost-effective and will be a significant improvement to the defense of NATO. In any event, AWACS will have to be strongly supported by SHAPE.

The matter of who will fly it, where it will be deployed, who will maintain it, and where it will be based is currently being studied by

Headquarters SHAPE and will be included in the SHAPE Concept of Operations. The USAF has also developed a Concept of Operations which includes European employment of the USAF AWACS.

Chairman McClellan. If the NATO allies purchase the AWACS, will they be charged a prorated portion of the AWACS Research and Development Costs? What price do you envision they will be charged, and how much will be a recoupment of Research and Development costs?

Secretary Schlesinger. When the United States first offered the AWACS to NATO in October 1973, the DoD Directive regarding recoupment of R&D costs was in the process of being revised. At that time a position was staffed within the Department of Defense and the Department of State to charge [deleted] Normally the desired approach for foreign military sales is to allocate a pro-rata share of non-recurring costs to each nation participating in the purchase of U.S. equipment, based on total projected sales. However, a number of unique factors applied in the case of AWACS with respect to NATO and these factors resulted in consideration being given to a special modification of that policy.

The object of this "favored policy" was simply to provide an inducement for NATO to procure an admittedly expensive air defense system which would eliminate the majority of the operational deficiencies now encountered by NADGE [deleted] Factors favorable to the U.S. with respect to a potential NATO purchase of AWACS would include the fact that a common NATO AWACS system would strengthen the NATO alliance and significantly add to the deterrent posture relative to the Warsaw Pact. Second, a force of NATO AWACS would enhance the ability of European NATO nations to assume greater responsibilities on behalf of their own defense should deterrence fail. To add a true pro-rata share of the R&D costs to the basic AWACS acquisition costs was deemed impractical since it would destroy all chance of NATO considering this expensive acquisition. The U.S. proposal was approved by both the State and Defense Departments and was disseminated in official NATO documentation to every NATO nation. This policy has virtually

eliminated all other possible competitors for the NATO Airborne Early Warning aircraft role, except perhaps for the Navy's E-2C with prices based on the same identical pricing formula.

We envision the AWACS -- as presently configured by the NATO AWACS Special Task Group (STG) with the R&D and administrative surcharges and with all the European base support equipment, trainers, and spares -- to cost approximately [deleted]. The NATO study group is examining a few extra modifications to the NATO AWACS configuration, above and beyond the U.S. configuration, which are still being costed and which would increase the total acquisition costs. It is quite probable that NATO will turn down their additive wants when they see the total cost of the program. These costs will be presented to NATO on or about 16 July 1974. Of course, any R&D conducted to develop a NATO-unique AWACS configuration would be borne by NATO as would operations and maintenance costs.

At the time the October 1973 NATO AWACS cost estimates were presented to NATO, the USAF production program amounted to 39 aircraft over two fiscal years -- a total force structure of 42 aircraft, 39 production aircraft plus 3 DT&E aircraft. The NATO AWACS "buy" was at the tail end of the USAF AWACS "buy" where NATO could take advantage of the learning curve economies. Now, as you know, the USAF AWACS "buy" has been reduced to 31 aircraft over three fiscal years -- a total force structure of 34 aircraft, 31 aircraft plus 3 DT&E aircraft. This decrease in total production quantity plus the production "stretch-out" will inevitably increase the NATO AWACS production unit costs despite the NATO additives.

Chairman McClellan. In view of the importance being assigned to the AWACS in our command and control system, what would be the effect on our ability to fight during a war, if one or more were shot down? How many could we afford to lose before serious degradation in combat capability occurred?

Secretary Schlesinger. The impact upon our combat capability of the loss of an AWACS in a NATO conflict depends upon the particular situation at the

time of the loss. However, any degradation in combat capability will only be sustained until another AWACS could be launched to assume the station of the destroyed aircraft. And if more than one AWACS is on station the orbits of the surviving AWACS would be shifted to cover the threats.

If the loss of an AWACS occurs while NATO is under air attack then the amount of degradation in combat capability during that attack will be small because most of the attackers would be engaged by our interceptors by the time a fighter has penetrated to the AWACS position and shot it down. On the other hand, the loss of an AWACS during a NATO attack on Pact forces could deprive our forces of a unique warning capability at a potentially critical time. However, such a scenario implies that a small force of fighters attacks AWACS, and this small force would be easily identified and engaged. Thus the probability of the enemy completing such an attack is low.

The number of AWACS we could afford to lose without seriously degrading our combat capability depends on the number of AWACS available. If each AWACS can stay on station 12 hours then three aircraft are sufficient to maintain 24 hour coverage for a limited period of time. A deployment of 6 aircraft per station, for example, would mean that we could sustain the loss of one-half our AWACS force without degradation of our combat capability.

Chairman McClellan. Do you intend to change the configuration of this aircraft after a production decision is made?

Secretary Schlesinger. The currently approved AWACS program provides for three separate production blocks--or iterative improvements. Block I will differ slightly from Block II, and Block II will differ slightly from Block III. The object of this plan is to provide an opportunity for program growth which is carefully tuned to the evolving threat and the more demanding needs of an AWACS in the General Purpose Forces. Obviously, there may be special changes to the Block III production configuration that are specially designed for the NATO AWACS. The objective is to provide a careful balance between the most

optimum--yet mission essential--aircraft configuration within a practical development and production schedule, and an aircraft with sufficient growth potential to permit changes as operational experience is developed and changes are warranted. Such changes must be kept to a minimum to avoid retrofit costs and spares obsolescence.

Senator Young. Mr. Secretary, the news media has written stories the past few months concerning an interpretation of the statement that you made to the effect that funds were included in the Defense budget to stimulate the economy. This point has also been made by Mr. Paul Warnke when he appeared before this subcommittee. Please comment on this point and indicate where such reductions, if any, can be accomplished.

Secretary Schlesinger. Senator Young, that particular statement about including funds to stimulate the economy grew out of a simple misinterpretation of my testimony before the House Appropriations Committee. I was discussing outlays, and the fact that the primary control in the Executive Branch is in terms of outlays. I said that we were prepared to request a program involving about $85 billion in FY 1975 outlays, very nearly the same amount as ultimately appeared in the FY 1975 budget. Mr. Warnke's group, erroneously, took that $85 billion to be a TOA figure. They compared that figure to the TOA in the FY 1975 budget, and concluded that some $6 billion must have been added to our request, late in the game. This is an apples-and-oranges kind of mistake. It's as simple as that.

Senator Young. Mr. Warnke stated before this subcommittee that $14 billion could be cut from the Defense budget but when questioned concerning this large reduction he stated that a Defense budget of approximately $87 billion would maintain defense at the FY 1974 level. Do you agree or disagree with this position of Mr. Warnke's?

Secretary Schlesinger. I disagree, Senator Young.

First, let's consider the simple arithmetic of the situation. Our total estimate for FY 1975 -- the requests we have submitted, plus the estimates for pay raises to take effect in the future -- is $92.6 billion in TOA. If you deduct $14 billion from that, you get $78.6 billion -- that's a long way from the $87 billion that this group is supposedly advocating.

In short, you simply can't match a $14 billion cut with what this group says they are trying to do.

Second, an $87 billion program for FY 1975 simply wouldn't maintain the FY 1974 level of buying power. We requested $87.1 billion in TOA for FY 1974. The Warnke group questions $2.1 billion of that -- the readiness item, so let's set that aside. And our FY 1974 amount includes a one-time $2.2 billion amount for aid to Israel. Let's set that aside, too. The remainder, Senator Young -- $82.8 billion -- has not been questioned in any way. That's the amount actually approved by the Congress last fall, plus only the amounts necessary to cover the pay rates and price levels we're actually experiencing. In short, if you grant every point that this group is making -- and do the arithmetic right -- the FY 1974 program is $82.8 billion.

Now this group states that we could provide the same buying power in FY 1975 for $87 billion. That's $4.2 billion more, or about 5% more, than the FY 1974 level they're using. I don't know where this group gets its information on inflation, Senator. There's simply no basis for projecting an inflation rate that low. If they used a realistic inflation rate -- even granting all the other adjustments they've made in the figures -- their FY 1975 figure wouldn't be much different than what we've requested.

Senator Young. You are aware that the Senate recently voted a $295 billion ceiling on the FY 1974 expenditures. I read in the newspaper recently that Mr. Rush, the new Domestic Advisor to the President, stated that the economy was continuing to grow and that the expenditure ceiling could possibly be limited to $300 billion vice $305 billion. What, if any, impact would such a reduction have on the Defense budget?

Secretary Schlesinger. The short answer, Senator, is that I don't know. These figures have not been discussed in specific terms with specific agencies, at least not with Defense. I believe that Mr. Rush was presenting his view of the appropriate level of Federal spending relative to economic conditions as he foresaw them at the time. Many factors would have to be considered in connection with a change in outlays from last February's estimate. These include Congressional enactment or nonenactment of legis-

lative proposals; Congressional actions on the appropriation requests; changes in such areas as oil receipts and commodity transactions; and the continuing review activities of OMB -- to name the major ones. The thinking on all these matters hasn't progressed to the stage of allocating specific amounts for specific agencies.

Senator Young. The Army and the Navy at different times have requested additional funds for recruiting under the all-volunteer force concept and from the latest reports I have seen appear to be meeting their objectives. I am sure the Air Force increased their recruiting efforts but apparently did not have the requirement to initiate increased programs to the extent that the Army and Navy did.

My concern now is the problem the Marine Corps is experiencing in their recruiting.

Do you believe that the Marine Corps can attain its recruiting objectives if provided proportionately increased funding similar to the Army and Navy?

Secretary Schlesinger. The major reason the Marine Corps failed to meet its recruiting objective in Fiscal Year 1974 was the Congressional limitation on the recruitment of high school non-graduates. Under this limitation the Marine Corps was required to limit non-graduates to 45% of its total accessions. The result was a 7,000 strength shortfall. Under the limitation the Marine Corps would have needed to recruit about 4,500 additional high school graduates -- an increase of about 18% from the 25,000 male high school graduates actually enlisted in FY 1974.

Increased recruiting and advertising funds would have helped the Marine Corps recruit more high school graduates in FY 1974. The Marine Corps asked the Congress for authority to reprogram funds for paid advertising but approval was received too late to significantly offset FY 1974 recruiting. The Marine Corps had previously relied on free public service advertising.

The Marine Corps intends to increase its advertising program in FY 1975 by use of paid media advertising. Additional funds for Marine Corps advertising are also under consideration for FY 1976. While these additional efforts will increase the number of high school graduate enlistees, the continuance of the Congressional limitation on the proportion of non-graduate enlistees will make the Marine Corps' recruiting task difficult.

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COPY OF WARNKE REPORT

Chairman McClellan. I do anticipate, as I indicated to you, Mr. Secretary, before we began, that possibly we will not be able to conclude today and it may take another morning of hearings before we can complete our inquiry.

Very well, Mr. Secretary, you may proced with any opening statement that you wish to make.

Senator Case. May I ask a question? Did your letters include the report to which the Secretary is going to address himself?

Chairman McClellan. Yes; I made special reference to the Secretary about the Warnke report.

Senator Case. I wondered if it might be well to put that into the record.

Chairman McClellan. The report was placed in the record when Mr. Warnke testified.

INTRODUCTION OF ASSOCIATES

Chairman McClellan. Very well, Mr. Secretary, you may proceed.

Secretary Schlesinger. Thank you, Mr. Chairman.

Mr. Chairman, to my right is Malcolm Currie, the Director of Defense Research and Engineering, and beyond him is Terrence McClary, the Comptroller of the Department of Defense, and on my left is Mr. Roger Shields of the International Economic Affairs staff, and to my far left is Mr. Jack Maury, Assistant Secretary of Defense for Legislative Affairs.

Mr. Chairman, I have no prepared statement. I am prepared to be responsive to the questions that are raised by the members of the committee. I have not paid close attention to this particular report for a variety of reasons, but I am prepared to respond to the committee.

VIEWS ON REPORT

I will make a few general observations about the report.

I believe that it is a political document—that is, a political presupposition that the Defense budget must be cut for domestic reasons—and that it reflects a scurrying around to find evidence, some true, some false, to support that political presupposition.

It is consistent with the political views of the people who have been involved in the signing of the report. It is consistent with a position for the United States which I consider to be invalid, namely, that the United States should cease to be the principal bulwark for the maintenance of a worldwide military balance.

The report might be charactedized as "Come Home America—Revisited." It is, in my judgment, a syllabus of errors, misconceptions, and inconsistencies, which I should be prepared to develop at whatever length the committee desires.

Let me just dwell on two matters at this stage. First, the report does not deal with the changes in the U.S. military establishment in the period since 1964. I quote the report, "The world has changed much in the last decade, but the conventional forces of the United States have changed little."

Chairman McClellan. What page?

Secretary Schlesinger. Page 14, Mr. Chairman.

Senator SYMINGTON. Page 14 of what?

Chairman MCCLELLAN. Of the "Military Policy and Budget Priorities" report.

Secretary SCHLESINGER [reading]:

> The world has changed much in the last decade, but the conventional forces of the United States have changed little.

It infers that we are spending virtually as much on general purpose forces in 1975 as we spent in 1964 to maintain a strikingly similar force structure, that the peacetime force structure is quantitatively somewhat smaller and qualitatively somewhat more powerful than in 1964.

These views are partially correct. It is true that the force structure is quantitatively smaller and qualitatively more powerful than it was in 1964, as the report indicates. However, the force structure has shrunk dramatically and is not strikingly similar to what existed in 1964. The conventional forces of the United States have changed substantially rather than slightly, as stated in the report.

The Army in this period of time has shrunk from 16⅓ divisions to 13 divisions. The Navy has shrunk from approximately 900 vessels to 520 vessels.

These are all reflected in changes in the real value of the Defense budget, which has shrunk from approximately 8.5 percent of the GNP to less than 6 percent in the GNP at the present time. It is reflected in the decline in military manpower for the Department of Defense from approximately 2.7 million in 1964, which was the prewar level, to approximately 2.1 million today. The level of manpower at the present time is the lowest it has been since before Korea and it continues to shrink.

Now, these are substantial changes. They are changes that have been brought about by this administration. There are those who challenge the changes but basically we think that the shrinkage in manpower and force structure has been justified by certain changes on the world scene, and they are substantial, changes, too. To disregard these changes strikes me as not consistent with the realities as we understand them.

Throughout the 1960's, Secretary McNamara, who laid great stress upon the need for the maintenance of conventional capabilities, maintained 16⅓ divisions, which was expanded substantially during the Vietnam war buildup. This force structure was based upon the premise that the United States should be able to fight "2½ wars" simultaneously. We did not have the capability to fight those 2½ wars, but that was the underlying premise.

In 1969, the premise was changed to the ability to fight 1½ wars and there was the adjustment of the force structure to which I have referred.

But the maintenance of 16⅓ divisions in the Army was due to Secretary McNamara's concept of the minimal strength required in that period. It was not, as the report suggests, related simply to an earlier Berlin buildup.

Now, beyond that question, Mr. Chairman, I would like to relate this matter to a closely associated issue. The report compares the U.S. military capabilities in the year 1974 with its military capabilities in

the year 1964 as if the problem of developing a military force structure is, for the United States in 1974, to see how well it would do against its force structure 10 years earlier. That is not the problem and that is not the way we design a force structure.

It is true that there have been substantial qualitative improvements in the force structure in this intervening decade, although the force structure has shrunk substantially. Because of these qualitative changes, I think this is notable particularly in the case of tactical air, we have more powerful capabilities than we did a decade ago.

Mr. Chairman, the important point for me to stress, however, is that the U.S. force structure must be reviewed today not in terms of how it would fare in dealing with a force structure of a decade ago, but rather how it would fare against the current and future military challenges in view of the onsweep of technology. It is immaterial whether, indeed, the U.S. forces of today could deal with the Confederate forces at the Battle of Gettysburg or British forces at Bunker Hill. The question is how well do they meet the needs of the current international military environment. There is no discussion in this report of the very significant changes in the external military capabilities which we attempt to balance as part of our efforts to maintain an appropriate worldwide military balance.

This is frequently referred to as the threat environment. The threat environment is a phrase I prefer to avoid, but we must recognize that we are balancing capabilities that are external to the United States.

As I mentioned to the Armed Services Committee some months ago, as we look at the world today there are only two nations that have preeminent military capabilities. We are not designing and spending the taxpayers' money on forces because of the military capabilities supported by Chad or Nicaragua. We must recognize in talking about military power that the other nation which possesses a preeminent military capability is the Soviet Union and that in the last decade its capability has improved substantially. In contrast to the shrinkage of manpower which I refer to in the case of the United States, from 2.7 million to 2.1 million, Soviet manpower has expanded from just over 3 million to 3.8 million men approximately.

Their military budgets, in real terms, have been expanded at a steady pace of approximately 3 percent per annum, making allowance for inflation. The Soviet Union has qualitatively and quantitatively improved its force. So, Mr. Chairman, I would suggest that we must compare the military power of the United States today in relation to our commitments and objectives and to the external capabilities that exist today, rather than comparing the military power of the United States today with its power of a decade ago—a decade in which our forces have improved qualitatively and shrunk quantitatively.

Mr. Chairman, I think that these are the major points to keep in mind. There are many other issues that I can discuss, but I would prefer to discuss them in response to questions. I am sure that the members of the committee would prefer such an exchange rather than for me to go on for another 25 or 30 minutes, but that is up to you, Mr. Chairman.

Chairman McCLELLAN. All right. Does that conclude your opening statement?

Secretary SCHLESINGER. I think so, Mr. Chairman. I wish to stress that the comparison between 1974 and 1964 in the report is a comparison of how the U.S. military today would compare with the U.S. military of 10 years ago. It is not the basis, in my judgment, for forming a military structure for the United States in the year 1974.

That military structure should be based on the commitments and objectives of the United States and a determination of the forces which are necessary to fulfill those commitments in relation to the external forces that are arrayed around the world.

There is one other point I might mention, Mr. Chairman. This report distorts or significantly distorts the question of the Defense budget. It takes dollars from fiscal year 1974 and adds them gratuitously to fiscal year 1975. It adds elements to the so-called defense function which do not belong in that defense function.

It suggests what I regard as a canard; namely, that the military budget has been drawn up on the basis of providing economic stimulus and it distorts the issues which went into the formulation of the 1975 budget.

In addition to that, it raises questions about the difference between 1974 and 1975 in a way that suggests that the growth in the Defense budget is far larger than it actually is.

Mr. Chairman, I believe that members of this committee are fully familiar with the fact that this budget cannot have increased in the way this report suggests. Manpower continues to be our most expensive item. It encompasses something like 55 percent of the budget this year and 56 percent of the budget last year, and manpower continues to shrink. Our largest cost item will be smaller in 1975 that it is in 1974.

The report includes, Mr. Chairman, the expenditures of the Atomic Energy Commission which grow on the order of $700 million between 1974 and 1975. That growth in expenditures, as you know, Mr. Chairman, is related to the civilian applications programs of the U.S. Government. It has not related to the military programs of the Department of Defense. Adding in $700 million for that kind of thing distorts the change in defense expenditures.

Now I would be delighted to go into detail with regard to these changes. This detail, however, is available to the committee if it so desires.

Mr. Chairman, let me stop there and provide the members of the committee with the opportunity to raise any questions that they may desire to ask.

Chairman MCCLELLAN. Thank you very much, Mr. Secretary. May I suggest to the members of the committee and to the Secretary that we proceed by taking this document, the Military Policy and Budget Priorities report, and proceed with each item chronologically and give the Secretary the opportunity to discuss it. The first item involves the question of whether the fiscal year 1975 military budget includes money primarily for the purpose of beefing up the economy, rather than for strictly military purposes.

I think that is possibly the initial subject we would like to discuss this morning, but before doing so, I would like to ask if any of my colleagues wish to make any comment or have any question on the general statements the Secretary had made. If not, we will go into

these items chronologically and give each member a full opportunity for exploration.

Senator FONG. One question.

Chairman MCCLELLAN. Yes.

Senator FONG. Mr. Secretary, if you follow the recommendation made by the former Assistant Secretary of Defense Warnke to cut $14.9 billion from your budget, where will you find yourself?

Secretary SCHLESINGER. I would find the Department with its modernization program substantially curtailed, with the ability to maintain a strategic balance with the Soviet Union inhibited, to say the least. I would find that the United States had substantially reduced its ability to fulfill its present worldwide mission, a decision of course that is up to the Congress and the President, but a decision that should be taken directly with regard to what are the commitments of the United States and what are its objectives, rather than indirectly through the suggestion that somehow these reductions can occur without a change in the role that the United States plays in the world.

Let me cite, in that connection, Senator Fong, the proposal to eliminate or virtually eliminate all of our forces deployed in the western Pacific, other than the 7th Fleet.

As the response to the chairman indicated, we have substantially reduced our forces since 1969 in the western Pacific. We are now something on the order of 40,000 or 50,000 men lower than we were prior to the onset of the Vietnam war. We have further reductions in the western Pacific in planning.

But the proposal in this report is to eliminate most of our forces in Thailand, Taiwan, the Philippines, Japan, and Korea, an elimination of approximately 125,000 men deployed overseas. This would have major political impact.

Mr. Warnke, in his testimony before this committee, and this is not included in the report but in his testimony before the committee, stated that he felt that it would be highly undesirable for the Japanese to rearm in a serious way. And he also thought it was very important for the Japanese to remain allied to the United States and not to turn neutral. I submit that the impact of a massive withdrawal of U.S. forces from the western Pacific would be such as to make unattainable those commitments and objectives which Mr. Warnke endorses. The precipitant removal of our remaining 38,000 men from Korea and the removal of all of our forces from Japan as well as Taiwan, Thailand, and the Philippines, cannot but give the Japanese the impression that the United States is abandoning the western Pacific. It would inevitably bring about a reorientation in the attitudes of the Japanese, which Mr. Warnke said was extremely important.

I think that it would have devastating effects in Korea with regard to the perception of the interest that the United States continues to take in the stability o' that part of the world, northeast Asia.

Now we have substantially reduced our forces in the western Pacific and, as I indicated, I think that further reductions may come, will come. But I think that these reductions, as they come, must be gradual and not done in such a precipitous way that it raise questions about the role that the United States will play in the western Pacific. So, Senator Fong, I would say that in terms of our deployment and force structure and our ability to carry out the current commitments of the United

States, a $14 billion reduction would be devastating, and in the area of modernization, it would be, as I indicated, inhibiting.

Senator FONG. You fear then this would be turning your back on Asia and the western Pacific?

Secretary SCHLESINGER. Yes, sir; there is no question about that. Mr. Warnke suggests that we retain the Seventh Fleet in the area. I am not sure that the facilities for the retention of the Seventh Fleet in the area would remain available and in any event the confidence that would be placed in the Seventh Fleet after precipitous withdrawal of U.S. land-based and ground forces would be decidedly shrunken.

Senator FONG. How much influence will we then have in the Pacific and Asia with that kind of withdrawal?

Secretary SCHLESINGER. That is a question, of course, to which the Secretary of State could give a better informed opinion but, in my judgment, our influence would shrink perhaps to the vanishing point.

Chairman MCCLELLAN. Are there any other Senators that want to ask questions before we proceed?

Very well, Mr. Secretary, I would like to call your attention to page 5 of the budget priorities pamphlet and I quote from it and then I will ask you to comment with regard to these statements in the report. Beginning near the top of the page, I quote——

Senator FONG. We don't have the numbers on these pages.

Chairman MCCLELLAN. Page 5. [Reading:]

> The administration juggles its figures to seek to give the impression that the proposed increase over last year is only large enough to cover pay and price increases, about $5 billion, but the truth is that if all the requests that are really part of the fiscal 1975 program are counted, the actual increase is about $13 billion.

Then it says this proposal comes at a time when the administration is freezing budgets and impounding funds appropriated by Congress for vital domestic programs.

Now, I wish you would give us the cold facts regarding the charge that you are juggling figures to conceal an increase of about $8 billion in this budget. That is the substance of the charge, and if you can explain or give us the facts to refute Mr. Warnke's statement let us have it for the record now.

Secretary SCHLESINGER. Yes, sir, Mr. Chairman. Let me state that the report talks not about an $8 billion increase. It states that the actual increase is about $13 billion.

Chairman MCCLELLAN. No, what I am talking about, is not the $5 billion increase that they acknowledge you maybe have a basis for. What I am referring to is the $8 billion that is not really being accounted for or we are not getting the facts about it.

Secretary SCHLESINGER. No, Mr. Chairman, I previously indicated that the comparison is as between what was enacted by Congress and the administration request as interpreted by the report. This interpretation I would state to be a distortion, and that is the kindest word that I can use.

If there is an assertion about juggling I would suggest that the use of "juggling" be scrutinized in relation to this report.

May I have that chart, please?

Chairman MCCLELLAN. Now, first, Mr. Secretary, as you consider and discuss this particular chart, I think I may as well add this ques-

tion, and you can cover both subjects. This report in the next sentence states:

> Moreover, the Secretary of Defense has admitted that his request for national defense needs would have been more than $6 billion lower had he not been encouraged to include funds in the hope that more military buying might stave off a recession.

Now, you have the combination of the two questions, which I think may be necessary for you to discuss in order to get the full answer to the first question.

Secretary SCHLESINGER. I am delighted to do so, Mr. Chairman.

The 1974 and 1975 budgets are presented for this committee on the display to your right. In the submission of the 1974 budget in January 1973 we had this situation.

Chairman MCCLELLAN. Let that chart be inserted in the record and be identified by number.

[The chart follows:]

TOA SUMMARY
FY 1974 & FY 1975
(BILLIONS)

	FY 1974	FY 1975
ORIGINAL ESTIMATE	85.0 *	92.6 **
ISRAELI SUPPLEMENTAL	+ 2.2	–
ADDED PAY COSTS, ETC.	+ .4	–
ADJUSTED REQUEST	87.6	92.6
CONGRESSIONAL CUT	– 3.3	
STATUS AFTER CUT	84.3	
READINESS SUPPLEMENTAL	+ 2.8	
CURRENT REQUEST	87.1	

* INCLUDES $3.4 BILLION FOR ANTICIPATED PAY INCREASES.
** INCLUDES $2.2 BILLION FOR ANTICIPATED PAY INCREASES.

ADMINISTRATION RECOMMENDATION

Chairman McClellan. All right, proceed.

Secretary Schlesinger. The administration sent up a figure of $85 billion which, at that time, included $3.4 billion for anticipated pay increases. The budget for 1975, the formal request, is $92.6 billion, a growth, as compared to the previous year, of $7.6 billion.

That figure for 1975 includes $2.2 billion for anticipated pay increases.

Chairman McClellan. That $2.2 for pay increases, is that a part of the $7.6 billion additional over 1974?

Secretary Schlesinger. Yes, sir.

Chairman McClellan. What is the total difference?

Secretary Schlesinger. The difference between the request, the original submission for 1974 and the 1975 request is $7.6 billion.

Chairman McClellan. How much of that is attributable to pay increases of that $7.6 billion? Let me do it this way. Take that $7.6 billion and tell us what it pays for, because that is in excess of what was requested last year.

Secretary Schlesinger. Yes, sir; in a minute; Mr. Chairman, in response to your last question, the pay increase for 1975 would include the $2.2 billion as specified on the chart plus the full year cost of the pay increase of 1974 which would add some billion or so dollars.

Chairman McClellan. What you say is $2.2 billion is for the balance of 1974?

Secretary Schlesinger. No, sir. The $2.2 billion is for pay increases that will come in fiscal year 1975 as a result of the automatic pay escalation for Government employees. That is what we anticipate at the present time. The difference between the cost of pay in 1974 and 1975 will reflect more than that. It will reflect in addition the changes of pay that came in 1974, the full year costs of that until such time as pay is escalated in 1975.

That total figure would be probably on the order of $4.5 billion; is that right, Mac?

Mr. McClary. Yes.

Chairman McClellan. That I don't understand, the $4.5 billion is related to what? You have the increased costs in the $2.2 billion?

Secretary Schlesinger. Yes, sir. That would be the cost of the pay increase that presumably will come in October of 1974 next fall.

Chairman McClellan. This fall you mean?

CHART ON PAY INCREASES

Secretary Schlesinger. Yes, sir; this fall. That would represent only the pay increase that comes at that time for the last 9 months of the fiscal year. But, in addition, between October of 1973 and October of 1974, there will be full-year costs of the pay increase that came in October of 1973, some of that being reflected as an increase in the fiscal year 1975 over fiscal year 1974, so that total pay in 1975 will be higher by approximately $4.5 billion, but we will insert a precise figure in the record.

[The chart follows:]

Pay increases add $3.9 billion to total DoD costs from the original (January 1973) estimates for FY 1974 to the original (February 1974) estimates for FY 1975. The increases are as follows:

		($ millions)
Higher costs for subsistence, clothing, permanent-change-of-station travel, and similar items ($214 million of this is reflected in FY 1974, on a part-time basis, and the full amount is reflected, annualized, in the FY 1975 estimates)		496
Net increase in FY 1974 contingent items, as follows:		
Retired pay cost-of-living increases	304	
Pay raise came 10/1/73 instead of 1/1/74, as planned	258	
Wage boards	56	
AVF legislation not enacted	-140	
Retired pay legislation not enacted	-377	
Net		101
Annualize FY 1974 items in FY 1975:		
10/1/73 pay increase	353	
1/1/74 CPI	182	
FY 1974 wage boards	236	
Total, annualization		771
Growth in retired population		352
FY 1975 contingencies (not yet transmitted):		
10/1/74 pay increase	1,525	
FY 1975 wage board increases	215	
Proposed personnel legislation	242	
CPI in FY 1975	260	
Total FY 1975 contingencies	2,242	
Less amount remaining in FY 1974 contingency	-99	
Net increase, FY 1974 to FY 1975		2,143
Increase in pay costs from January 1974 estimates to February 1975 estimates		3,863

CLARIFICATION OF $3.1 BILLION

Chairman McClellan. Now, does that $4.5 billion include the $2.2 billion?

Secretary Schlesinger. Yes, sir.

Chairman McClellan. That does include the $2.2 billion. All right, then you still have $3.1 billion of the $7.6 billion to account for.

Senator Young. Could I ask a question for clarification?

Chairman McClellan. Yes.

Senator Young. Why don't those figures you have given under fiscal year 1975 appear in the chart that these are expenditures that come under 1974?

Secretary Schlesinger. But they are also in 1975. The double asterisk footnote, Senator Young, referring to 1975, refers only to that portion of the pay increase that will come in October of the next fiscal year, but included in the $92.6 billion figure will also be approximately $1 billion or so of the feedout of the pay increases that occurred last fall.

CHART ON FISCAL YEAR 1975 BUDGET BREAKDOWN

Senator Young. Do you have another chart showing a breakdown of the 1975 budget that would indicate these increases?

Secretary Schlesinger. No, we do not, Senator Young, but we will prepare one for the record.

Chairman McClellan. Will you prepare a revised chart?

Secretary Schlesinger. Yes, sir.

Chairman McClellan. And include the developments that we have made here in this discussion?

Secretary Schlesinger. Yes, sir.

[The chart follows:]

TOA COMPARISON
FY 1974 AND FY 1975 ORIGINAL ESTIMATES
(TOA $Billions)

FY 1975 Estimate (February 1974)		$92.6
FY 1974 Estimate (January 1973)		85.0
Increase		7.6
Pay Increases:		
Net higher pay costs in FY 1974, above January 1973 estimates, reflected in February 1974 estimates	.3	
Annualize 10/1/73 pay increase, wage board increases, subsistence rates, and retired pay CPI	1.1	
Growth in retired population	.4	
FY 1975 pay items (10/1/74 pay raise, wage boards, legislation, etc.) (less FY 1974 allowance)	2.1	
Total pay increase		3.9
Price increases:		
POL	.9	
Currency revaluation (February 1973)	.4	
Price increases on other purchases (11%)	4.8	
Total price increases		6.1
Total pay and price increases		10.0
Program reductions (about half in manpower, which falls by 94,000)		-2.4
Net increase		7.6

ISRAELI SUPPLEMENTAL

Chairman McCLELLAN. Now, I think we are down to the point now there is $3.1 billion, after these pay allowances, in the increase to be accounted for.

Secretary SCHLESINGER. Yes, sir. Mr. Chairman, and members of the committee, there are other elements aside from the original estimate. As you know, there was an Israeli supplemental in fiscal year 1974. There were added pay costs that occurred in 1974 which increased the total request in 1974 to $87.6 billion. Congress cut that request by $3.3 billion, reducing the total appropriations for fiscal 1974 to $84.3 billion.

Senator CASE. That cut was made in the original—$85 billion?

Secretary SCHLESINGER. Yes, sir, in the original fiscal 1974 request. Now I want to come to the readiness supplemental because that is an important element here in the discrepancies that I see in the figures in this report.

As you know, Mr. Chairman, last fall at the time of the war in the Middle East, we drew down rapidly on our inventories and we discovered that there were deep problems with regard to our inventories and also with regard to the materiel readiness of U.S. Forces.

At that time, last fall, we indicated to Members of the Congress that we were planning to bring forward a supplemental for fiscal 1974 which was to deal with the readiness condition, primarily inventories, ship overhaul, aircraft rework, and the like. Since the various bills were on the floor at that time, it was recommended to us by Chairman Stennis in particular that such a readiness supplemental for 1974 be deferred until work on the original 1974 budget was out of the way. That readiness supplemental was incorporated in the budget that was submitted in January.

Now, the main point, Mr. Chairman, is that that readiness supplemental is taken in this report, to which you have addressed our attention, as part of the 1975 request rather than as part of the 1974 request. I do not regard that as an appropriate way to deal with the readiness supplemental, but that is, I think, the underlying logic of Mr. Warnke's report. I thought I would draw that particular item to your attention so that you can have it in mind as well as the $7.6 billion increase between the original request for fiscal 1974 and the original request for 1975.

You will recall that we discussed this supplemental request, Mr. Chairman, somewhere in the timeframe that the congressional cut of $3.3 billion was being taken. We indicated that we were planning to submit a supplemental and that we regarded that supplemental as somewhat in the same ball park in dollar terms as the congressional cut that was being taken in the original fiscal year 1974 request.

I regard the readiness supplemental as near-term requirements, as items that should have been funded in the past, as items that we should plug in as quickly as possible and therefore I have no difficulty in associating that with the fiscal 1974 request.

Mr. Warnke and his co-workers take a different attitude and if you share that attitude, you can shift part of the supplemental to 1975 rather than 1974.

Chairman McCLELLAN. Do I understand you to say that in the 1974 figures, you have not included the supplemental?

Secretary SCHLESINGER. We have at the bottom.

Chairman McCLELLAN. But I mean at the top, the $85 billion?

Secretary SCHLESINGER. No, sir, that original request of $85 billion was what was sent up in the January 1973 submission.

Chairman McCLELLAN. And that is what Mr. Warnke uses as a basis for 1974 instead of what you would say should be the two bases of the $87 billion and should be the base to arrive at the difference? Is that correct, the difference between the 1974 and the 1975 budget?

Secretary SCHLESINGER. Mr. Warnke uses a figure for 1974 of $85 billion rather than $87.1 billion.

Senator SYMINGTON. Will you yield?

Chairman McCLELLAN. Yes; I will yield, but I am trying to understand this. There seems to be a question here about where the supplemental moneys should be charged.

Secretary SCHLESINGER. Yes.

Chairman McCLELLAN. To the 1974 or 1975 budget.

Secretary SCHLESINGER. Yes, sir.

Chairman McCLELLAN. You actually made this addition to the original budget request of 1974?

Secretary SCHLESINGER. Yes; sir.

Chairman McCLELLAN. And that makes the 1974 appropriations request $87.1 billion instead of $84.3, is that correct?

Secretary SCHLESINGER. With this addition, Mr. Chairman, that is, if you add up all of the President's requests for fiscal 1974, inclusive of the Israeli supplemental, which was largely a one-time shot, that represents a request by the President for the Department of Defense of $90.4 billion. That was reduced by $3.3 billion last year by the Congress. But the total request by the President in fiscal 1974 was $90.4 billion: Original fiscal year 1974 request, $85 billion; Israeli supplemental, $2.2 billion; added pay costs, $0.4 billion; readiness supplemental, $2.8 billion.

So, if you want to use that kind of number, you can shrink the fiscal 1974–75 increase to $2 billion approximately. I think that the best indicator is the relationship between the original estimate for 1974 and the original estimate for 1975, which represents an increase of $7.6 billion. But these figures can be sorted out in a variety of ways. I think that it is fair to observe that the way this report handles the two figures is designed to maximize the difference between the 1974 and 1975 figures in a way I regard as totally inappropriate.

Senator SYMINGTON. If you will yield, I handled the supplemental myself at the request of Senator Stennis who had been ill. I thought the sum of the requests you made in the supplemental were totally inappropriate and against the concept of a supplemental, in addition to which the lawyers of the Armed Services Committee felt they were not appropriate under the regulations as being part of the supplemental.

To the best of my recollection, inasmuch as you used his name, there was no cut in the supplemental or postponement in the supplemental that was not made at the suggestion of Senator Stennis. I can remember, for example, you had in there money for Diego Garcia. It was Senator Stennis' suggestion to me that that money be postponed to the 1975 budget.

You also had money in there for further acceleration of an item that has gotten somewhat contentious in the past, the Trident, and it was also Senator Stennis' recommendation that that be postponed without prejudice to the 1975 budget.

There are some other matters that come up in your recent testimony that, when my turn comes, I will be happy to afford you the opportunity of discussing it with you, but I won't want it misunderstood by you or the committee that there was any disagreement between the full Armed Services Committee and any of the individual members, to the best of my knowledge, about the way that supplemental was handled and the way that you are saying it should have been handled, with which we disagree.

We thought it should be in the 1975 budget and not just a recouping through a supplemental of what you had asked for in 1974 and had been turned down for.

Secretary SCHLESINGER. Well, of course, as you know, Senator Symington, the requests in the supplemental were altogether different from the requests that had been eliminated from the original 1974 budget.

Senator SYMINGTON. Some were and some were not. It is an indigenous discussion.

Secretary SCHLESINGER. I think it is a desirable thing to do so.

Now, with regard to Senator Stennis, there is nothing I have said that would suggest Senator Stennis approved of any particular item in the supplemental request. What I have stated is that the possibility of a supplemental request was gone into at considerable length with Senator Stennis last fall at the time of the war in the Middle East and he was concerned about sending a supplemental up during that period of time.

He suggested that it wait until January. That did not mean, and he was very clear about it at the time, that he approved or disapproved of any particular item that might be included in the supplemental.

With regard to Diego Garcia and with regard to the Trident, let me take the latter case first. The Trident funds were authorized last year in fiscal 1974 by the Armed Services Committee for three boats, as you will recall, Senator Symington, because you managed the bill. The Appropriations Committee cut the funding below that which was authorized by the Armed Services Committee and the Appropriations Committee requested us to examine the impact, and if there were any need for long leadtime funding, to report back to the Hill.

We reported that back to the Hill in the fiscal year 1974 supplemental, requesting approximately $24.8 million.

The money for the Trident long-lead-time procurement had previously been authorized by the Armed Services Committees.

Now, with regard to Diego Garcia, there has been a change in conditions in the Middle East and in the Indian Ocean, and changes of this sort are precisely, in my judgment, the matters for which supplementals are entertained by the Congress.

Obviously, any Member of the Congress is free to reach his own conclusions with regard to whether a particular item such as Diego Garcia should be included in a supplemental or should await 1975.

But there were changes in the Middle East. There is the prospect of a reopening of the Suez Canal. I understand full well Senator

Stennis' judgment on this, and we respect Senator Stennis' judgment. It was not a position that we took initially but the Congress has made its decision in this matter.

Chairman McCLELLAN. Let's get to the figures now and see if you can clear up the difference between what is contended here by Mr. Warnke's group and what you say are the facts.

Senator FONG. Mr. Chairman, will you yield?

Chairman McCLELLAN. I yield to the Senator from Hawaii.

Senator FONG. Mr. Secretary, from what you stated, I have three sets of figures here. Did the President request $87.1 billion or $90.4 billion, if you take all of the requests for 1974?

Secretary SCHLESINGER. $90.4 billion.

Senator FONG. Yes, $90.4 billion, and your 1975 request is $92.6?

Secretary SCHLESINGER. Yes.

Senator FONG. So therefore you are requesting $2.2 billion more, that is what the request is; is that correct?

Secretary SCHLESINGER. Comparing the total requests for 1974 and 1975, that is correct.

Senator FONG. Yes. If we take your figures for fiscal 1974, it was $87.1 billion because the Congress has cut you by $3.3. You subtract that from $92.6 and there is a difference of $5.5 billion; is that correct?

Secretary SCHLESINGER. That is correct.

Senator FONG. If you were to take the readiness supplemental, take it from 1974 and add it to 1975, then you would have, instead of a figure of $5.5, $8.3 billion?

Secretary SCHLESINGER. There is one, I think, that would suggest that the entire readiness supplemental be taken out of 1974 and included in 1975.

Senator FONG. But even if you did that, you would be $8.3 billion?

Secretary SCHLESINGER. Yes, but——

Senator FONG. Now, you have been charged that you are $13 billion over?

Secretary SCHLESINGER. Yes, sir.

Senator FONG. Even at the extreme, by your figures, putting the $2.8 billion on the new budget, you would only be $8.3 billion. Where do you account for the other $5 billion?

Secretary SCHLESINGER. That is correct, Senator Fong, but moving the $2.8 billion readiness supplemental from 1974 to 1975 has a double impact, it reduces 1974 and increases 1975 by a like amount. So the difference would be $11.1 billion on that basis. I have not been able to comprehend the notion of the $13 billion increase on any basis that I regard as reasonable. As I have indicated, there are various bases of comparison, but I myself would regard the appropriate basis as not the totality of the President's request of $90.4 billion for 1974 because it includes the $3.3 billion reduction made by the Congress last year. Rather, I would regard the best basis as the original estimate of 1974 to 1975 or the adjusted estimates, one giving an increase of $7.6 billion and the other giving an increase of approximately $5.5 billion.

As Senator Symington has indicated, differences can be taken with regard to certain elements in the readiness supplemental.

Mr. Warnke, in his report, recognizes that $700 million of that, at least, is appropriate for 1974 and shifts the balance of the $2.8 billion

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readiness supplemental, $2.1 billion, to 1975. That was not, I think, the judgment of the Armed Services or Appropriations Committees.

Chairman McCLELLAN. Now, Mr. Secretary, we substantially covered this point, however, I don't mean there will not be other questions about it.

Secretary SCHLESINGER. Well, Mr. Chairman, you had one other question.

Chairman McCLELLAN. I would like you to speak to the charge that, "The Secretary of Defense has admitted that his requests for national defense needs would have been more than $6 billion lower had he not been encouraged to include funds in the hope that more military buying might stave off a recession."

I want you to give us the facts about this, and if there is in this budget a request for funds for weapons, equipment, or any other purposes, that would not be in this budget except for the desire that the economy might need a stimulant, I want you to identify them.

Secretary SCHLESINGER. Yes, sir. That charge I regard basically, as I indicated before, as a canard. The increase in the budget this year has been based upon the national security requirements of the United States.

As I indicated in my testimony before the Mahon committee, the House Appropriations Committee, we had reduced this program below the 5-year defense plan in order to get it into what was a final budgetary limit provided to us.

So we have eased down the size of this program below what had been the existing 5-year defense plan figure.

Chairman McCLELLAN. What year is this in the 5-year defense plan?

Secretary SCHLESINGER. This is a rolling plan, Mr. Chairman. At the time that the budget was drawn up, it was, of course, the second year of the 5-year defense plan.

Now everything in this budget should be defended on the basis that it contributes to the security of the United States. If you gentlemen believe that these amounts are excessive in relation to the commitments and obligations of the United States, then you will make cuts. I submit that these requests are not excessive. In my judgment they are on the thin side.

Now, as to the particular item, I have very carefully gone through this in my testimony with Chairman Mahon, and I would suggest that the testimony before that committee briefly be incorporated in the record at this point because it is the basis of the distortion that appears in the report.

TESTIMONY BEFORE MAHON COMMITTEE

Chairman McCLELLAN. Well, Mr. Secretary, will you agree that on pages 351 and 352 of your testimony before the Mahon committee covers the issue of whether this appropriations bill contains money primarily for the purpose of stimulating the economy?

Secretary SCHLESINGER. I am not sure about the pages, Mr. Chairman. I also had the privilege of testifying before Senator Proxmire's committee. I think that that testimony covers it even better.

Chairman McCLELLAN. I have listed here those pages to which I referred. Your testimony occurred on February 26, 1974. Let me submit

these to you and you examine them and if it is substantially all of your testimony relating to this point, I will be glad to insert it in the record at this point so that we may have continuity of your testimony.

Secretary SCHLESINGER. Yes, sir. You may insert that into the record and, if you would, we will find the particular pages in the Proxmire hearings which goes into this at greater length and you might wish to incorporate that into the record as well.

Chairman MCCLELLAN. All right, but I don't have the Proxmire testimony available at the moment.

Secretary SCHLESINGER. We will submit them to your staff.

Chairman MCCLELLAN. Very well. They will be inserted at the point.

[The information follows:]

FUNDS ADDED LATE IN THE BUDGET CYCLE

The testimony of the Secretary of Defense before Senator Proxmire (Joint Economic Committee Hearings on March 7, 1974) has not been printed by the Committee for the public record, and is therefore unavailable at this time. The testimony of Secretary Schlesinger before Mr. Mahon (Subcommittee on DoD of House Appropriations Committee Hearings on February 26, 1974) is provided below.

Mr. Mahon. If we didn't know that before the war, we are pretty lacking in information, I would think.

I would like to pursue a question we discussed somewhat before. When was it decided by the Administration that you would place a considerable request for money in the budget for purposes of stimulating the economy and at the same time acquiring defense supplies, materials and strength and so forth? Was that late in the budget cycle along in December? When did this happen?

Secretary Schlesinger. I am not sure whether you are referring, Mr. Chairman, to the fiscal year 1974 supplemental or the fiscal year 1975 request.

Mr. Mahon, I am referring to the fiscal year 1975 principally but make the application to either.

Secretary Schlesinger. I think the answer to that is that the final figures for the fiscal year 1975 defense budget were decided in December. I am not sure --

Mr. Mahon. I know you said the final figures, but when did you make that input of additional funds as a result of the turndown in the economy? That is what I am trying to get. I would like you to meet that question head-on if you can.

Secretary Schlesinger. I made no such decision.

Mr. Mahon. Who made it?

Secretary Schlesinger. I cannot say what the motivation was of those who made the decision with regard to the general budget picture. But I believe it was recognized late in calendar year 1973 that there may be an easing of the economy and some growth in unemployment, and

that as a consequence of that, the total figure for budget outlays could be relaxed.

Mr. Mahon. Was it relaxed to the tune of about $5 billion or is that figure too high or too low?

Secretary Schlesinger. You would have to talk to Mr. Ash about that. It might be larger. I think that is perhaps in the right range as to what the outlay limit might have been before and after. One should understand there was never any firm figure for the overall budget before December of 1973.

Mr. Mahon. I understand that fully.

Mr. Wyman. Will he explain what he means by "relaxed"? I don't understand that.

Mr. Mahon. I think he means it was decided they would provide additional funds.

Secretary Schlesinger. I have not read the fiscal year 1975 budget document, but I think the policy in the past has been that the expenditures in any particular fiscal year should not exceed the amount of revenues that would be brought in at full employment. I believe it may have gone beyond that this year, but I have not read the 1975 budget in its entirety, so I really do not know.

Mr. Wyman. Was any of that relaxation in the Defense Department budget?

Secretary Schlesinger. I would say that we found the environment affecting our requests in the month of December more reasonable than we feared it might be, but I do not think I can say much more than that because there was no firm figure prior to the end of December.

Mr. Mahon. Let's be frank about this. I have been told on considerable authority that late in the budget cycle, and after the budget was fairly firm but no final figure fixed, that something in the area of $5 billion was added to the budget. You, in my opinion, have more

or less confirmed that statement. It was done according to your testimony this morning and this afternoon for the reason that we wanted to stimulate the economy and for the reason also--this is the dominant reason--that the money could be used advantageously to beef up our Defense Establishment and improve our readiness. That is the way I understand it. Do you take issue with that?

Secretary Schlesinger. Mr. Chairman, we adjust the TOA to conform with whatever outlay limit the OMB or the President permits. If there had not been this perception of an easing economic environment, I believe our outlays might have been a billion or a billion and a half dollars less in 1975. That I think is the extent of it. The growth in the TOA request of course reflects what I have indicated, the fact that we were prepared to go in for a request on the order of $85 billion in outlays.

Mr. Sikes. Do I understand you are saying that the sum total of the addition to the Defense budget as a result of economic considerations is possibly as much as a billion and a half dollars?

Secretary Schlesinger. No. I want very carefully not to say that.

Mr. Sikes. I want to determine just what you are saying. The figure $5 billion has been bandied around.

Secretary Schlesinger. I think Mr. Mahon may have been referring to the TOA side, the obligational authority request that is made to Congress. As I tried to say, we link TOA requests to our outlay limits which are the binding force. I would say we would have been prepared to make a request for outlays at the level which has gone in, depending upon the appraisal of what would be economically and fiscally tolerable in a particular year.

The decline in the economic conditions led those who formulated the budget to believe that a higher level of expenditures was tolerable for macroeconomic reasons. Our request could well have gone to this

level, but we just might not have gotten it. The outlay constraints might have been lower.

Mr. Sikes. I would not want us to have to go to the floor saying that the justification for the Defense budget for fiscal year 1975 is based on the economy of the country.

Secretary Schlesinger. I have attempted throughout the morning to stress that I believe that we are thin on the general purpose forces side and that we need to hedge against certain possibilities on the strategic forces side. I think this budget is a prudent budget on national security grounds. I am sure that there is somewhere an expenditure in there that is less than optimal. If so, if it is pointed out to me, we will deal with that. But I think the outlays here represent what should be devoted to national security, that the Defense program represents our needs there.

Mr. Sikes. As I interpret the budget that is before us and compare the pay of people with the procurement of weapons and equipment, the slice for weapons and equipment is much smaller than in Soviet forces and the need for new and modern equipment is much larger than we are going to have the money to pay for.

Do you agree?

Secretary Schlesinger. I think there are unsatisfied needs, Mr. Sikes.

Mr. Addabbo. On the question of economic development there is talk that we are cutting the NASA budget but actually there are several programs which have been carried over from NASA to Defense and you are picking them up in research. Is this a fact?

Secretary Schlesinger. I am not familiar with that, Mr. Addabbo. May I check on that and submit an item for the record?

Mr. Addabbo. I would appreciate it. Thank you.

[The information follows:]

We can identify no such programs in our research budget.

OUTLAY CEILING

Secretary SCHLESINGER. Now, let me review what did occur in December of 1973 which was just part of the normal budgetary process.

We felt at the time that the outlay ceiling that would be clamped upon us for 1975 by the Bureau of the Budget would be approximately $84.8 billion. We feared it might be somewhat less. As happens every year, and it is consistent with good fiscal policy, in December the final numbers are put together for the total budget and individual allowances are given to various departments including the Department of Defense.

The final outlay ceiling that we received from the Bureau of the Budget was about $85.6 billion or $85.8.

Chairman MCCLELLAN. Sometime in December, the Office of Budget and Management submitted to you a ceiling and said, "Mr. Defense Department, this is the limit you can request"?

Secretary SCHLESINGER. Yes, reflecting the President's final decision.

Chairman MCCLELLAN. Then do you make a judgment on your budget to conform to the Office of Management and Budget to bring it within their ceiling?

Secretary SCHLESINGER. Yes, sir.

Chairman MCCLELLAN. Then in December you received this limit?

Secretary SCHLESINGER. Yes, sir. That limit was approximately $1 billion higher than we had feared might be our limit. We were thus enabled to curtail the 5-year defense plan by an amount somewhat less than we would have if we had received a lower limit from the Office of Management and Budget.

But once again, every item in this was included in the 5-year defense program or the readiness items that I have referred to.

Associated with that final figure of about $1 billion in additional outlays is the TOA figure.

Chairman MCCLELLAN. TOA?

Secretary SCHLESINGER. Total obligational authority, which would have been approximately $1.5 billion, associated with the $1 billion in outlays.

Now, this means that our TOA request, or our obligational authority request for 1975 was approximately $92.6 billion as opposed to approximately $90.5 billion or $91 billion, somewhere in that ball park.

That is, as I regard it, the normal flexibility of the budget process with regard to outlays. Now there is a problem in that the Hill deals primarily in appropriations and the executive branch deals to a much greater extent in outlays.

My statement in the Mahon committee testimony was that we were prepared to go in for a request of about $85 billion in outlays. The final figure was $85.8. Now, I believe that the people who drew up this report took that figure of $85 billion which was outlays, and compared it to $91 billion in obligational authority and came to the conclusion there was a $6 billion growth in here.

There was no $6 billion growth. There was a growth of approximately $1 billion in outlays or in TOA terms, a billion and half, which reflected the final judgments of the budgetary process, as is quite normal and I believe a most appropriate way to draw up budgets.

Chairman McClellan. Let me see, Mr. Secretary, do I understand you to say that the Warnke figures consist of outlays. That is, the spending that you were authorized in the fiscal year, the Warnke committee used outlays instead of the budget obligational authority?

Secretary Schlesinger. Right.

Chairman McClellan. This is what has brought about the confusion about the $6 billion?

Secretary Schlesinger. Yes, sir; that is the basis for it.

Chairman McClellan. The confusion, you are contending, arises out of the difference between the outlays, that is, what you were going to spend, and the budget authority that you had requested?

Secretary Schlesinger. Yes, sir.

Chairman McClellan. Well, some of it would not all be spent. Some of it would be a continuing authority over into other years.

Secretary Schlesinger. Yes, sir.

Chairman McClellan. And that difference is what you think has caused this confusion?

Secretary Schlesinger. I believe that represents the principal source of most of this confusion. As I have indicated, in the month of December, as is the case every year, the final figures, with regard to outlays, are laid down. We received an outlay limitation, because of the overall decision on fiscal policy, which was approximately $1 billion more lenient than we might have otherwise received. That is a genuine outcome of the discussions of December of last year, but most of that $6 billion growth that you refer to it is simply a matter of confusion.

Chairman McClellan. Let me ask you one other question. Do I understand that when you got your ceiling authority that you could submit in your budget from the President's financial decision, did that relate to expenditures only or to budget requests for obligational authority or both?

Secretary Schlesinger. It is related to both. The principal vehicle that is employed at that time in the budget cycle is outlays, but it must relate to both outlays and obligational authority.

Chairman McClellan. Now, in that final decision of the President as related to you by the Office of Management and Budget, did you get a ceiling of about $1 billion or $1.5 billion more than you had actually anticipated?

Secretary Schlesinger. I think it was on the order of $1 billion more in outlays than we anticipated.

Chairman McClellan. After getting that ceiling, did you then revise your budget request to absorb that $1 billion?

Secretary Schlesinger. No, sir; we had submitted a budget request which was larger than the budget figure we had there, thus we had to reduce less.

Chairman McClellan. You had to accommodate by reducing to come within the ceiling; is that correct?

Secretary Schlesinger. Yes, sir.

Chairman McClellan. Tell us if there is in this budget, and I read your testimony before Mr. Mahon's committee and it was a little confusing to me, any money requested by the Defense Department for actual current defense purposes beyond its need, in order to stimulate the economy so as to offset the prospects of a recession.

Secretary SCHLESINGER. There is no such request here, no such item in the budget, Mr. Chairman. Every item in the budget must be justified on the basis of national security requirements.

Chairman MCCLELLAN. Now, we have thoroughly covered this subject and the Chair is now willing to yield to other members of the committee to ask questions on this phase of the hearing.

I will yield at this time to Senator Young.

Senator YOUNG. There is evidence of grave concern with the increased costs of the weapons systems such as the B–1, the F–14, and the F–15 and others. Is the contention of the Defense Department to develop low-cost weapons systems such as the light weight fighter, missiles, and the small Trident submarines in order to effect an overall reduction of the weapons systems cost?

Secretary SCHLESINGER. That is our intention, Senator Young.

Senator YOUNG. You do plan to have a smaller Trident submarine?

Secretary SCHLESINGER. We have submitted a request to the Congress for what we call the "Narwhal" type SSBN. We are proceeding with the development of prototypes for the light weight fighter which, hopefully, will provide enough combat capability so they might be a part of the force structure, but it would be premature for me to give you a final observation on that at this time.

The whole strategy is based on what we call the high-low mix and these kinds of capabilities represent less than the maximum capabilities, but it permits us to maintain a larger force structure than we might otherwise be able to do.

Senator YOUNG. Are you going to abandon the B–1 and the F–14?

Secretary SCHLESINGER. No, sir. We do not know on the B–1, no final production decision has been made, but we are plowing ahead with the R. & D. program. We have three prototypes under construction in the B–1 program and we have on the Hill the discussion of the fourth prototype for the B–1. I think particularly in the light of the overall strategic situation it is likely that we would go ahead with the B–1, but we want to have the technical problems ironed out before we make a specific recommendation to this committee.

With regard to the F–14, we would like to develop a lower cost counterpart for Navy-Air and the Navy is working on that particular problem at the present time although they have not developed such a counterpart.

Senator YOUNG. When would it be available?

Secretary SCHLESINGER. The production of that would not come any earlier than 1979 or 1980, I believe, Senator Young.

Senator YOUNG. Does it have anything to do with the F–15? You would replace that with a light weight fighter.

Secretary SCHLESINGER. No, sir, at the present time we plan to go ahead with the very substantial F–15 buy. The question that the Air Force is addressing is whether in addition to the F–15 buy a lightweight fighter would permit the Air Force to maintain a larger tactical air inventory and therefore additional combat capabilities than would otherwise be the case given budget constraints.

Senator YOUNG. Did you consider buying more F–14's as an urgent matter?

Secretary SCHLESINGER. No, sir, we have submitted a request for 50 this year for fiscal 1975 and that is our request. That has been our request. We do not intend to accelerate that program.

Senator YOUNG. The Iranians will have more F–14 aircraft than we have.

Secretary SCHLESINGER. No, sir, the total buy for Iran may be on the order of 80 F–14 aircraft and the total projected buy for the United States is 334 aircraft.

Senator YOUNG. But the Iranians already bought approximately 80?

Secretary SCHLESINGER. No, sir, they have ordered 30 at this point.

Senator YOUNG. I thought next year they ordered 50.

Secretary SCHLESINGER. I don't know if we have any signature on the letter of offer or not, but they are contemplating and probably will buy 50 additional, but they have not signed as yet, but I hesitate to speak for the Government of Iran.

Senator YOUNG. Iran is a strong country, but this will be the first time in our history that we give a foreign country more of our latest planes than required ourselves.

Secretary SCHLESINGER. Not required ourselves. We have purchased about 184 aircraft at this point, have we not?

Mr. MCCLARY. Yes.

Secretary SCHLESINGER. 184 at this point through fiscal 1974.

Senator YOUNG. But not F–14's.

Secretary SCHLESINGER. Yes, F–14's. We have had appropriated for the F–14, money for 184 aircraft at this point, Senator.

Senator YOUNG. How many have you acquired, how many are in inventory now?

Secretary SCHLESINGER. I guess in inventory on the order of 70 or 80, something in that order. The Iranian buy will go in about 2 years from now to the Government of Iran.

Chairman MCCLELLAN. Now, Senator Symington.

Senator SYMINGTON. I have a question from a former member of the administration, not connected with the Pentagon. He says:

> Mr. Secretary, in the annual Defense Department report for the fiscal year 1975, on page 43, you make the statement: "Whether the Soviet Union believe that with the shift in these indicators they have achieved any meaningful exploitable advantage is not clear. However, they have not been reticent in stressing to a variety of audiences their superiority over the United States in numbers of ICBM's and other strategic capabilities." Their words at least have suggested that they see these dissymmetries as giving them diplomatic if not military leverage.

SOVIET STATEMENTS ON UNITED STATES/SOVIET STRATEGIC BALANCE

The President and Secretary of State are going to Moscow this week or next week. The person who asked this question states in his opinion you are not correct in your assertion. I would appreciate your either answering it now or in more detail for the record.

Secretary SCHLESINGER. Yes, sir. We would be quite prepared to present the statement in the open literature, statements by the Soviet leaders in this connection.

[The information follows:]

LISTING OF SOVIET STATEMENTS ON SOVIET-US STRATEGIC BALANCE

1. PARTY SECRETARY L. BREZHNEV
   14 June 1974 PRE-ELECTION SPEECH
   "The favorable changes in the world situation are above all the result of the influence of socialism on the course of events, its successes, its might and its example."
   HE ATTRIBUTED THIS DEVELOPMENT TO "FOREIGN POLICY EFFORTS", HOWEVER, RATHER THAN MILITARY STRENGTH SPECIFICALLY.

2. DEFENSE MINISTER A. GRECHKO
   1971 ON GUARD FOR PEACE AND THE BUILDING OF COMMUNISM
   Military Publishing House, Moscow
   p. 106 assert that the Soviet Union was capable of countering any aggressor with superior force.
   p. 112 "In the United States, voices are still heard urging to deal with the Soviet Union from a 'position of strength.' The ridiculousness of such a position has been shown both by the experience of the past as well by the course of modern events."

   1974 JANUARY 9 KOMSOMOLETS TATARII
   Urged an open-ended further strengthening of the Soviet armed forces, on the ground that the "greater" their combat capability and "the more powerfully they are equipped...the more peaceful it will be on earth."

   1974 FEBRUARY 23 PRAVDA
   Wrote that "our Army and Navy now have everything necessary to rout any aggressor and that the armed forces were mastering the science of victory."

   1974 JUNE 4 PRE-ELECTION SPEECH
   Stated that the "positive changes" which have taken place on the world scene are the result of an increase in Soviet and Socialist economic and defense potential. Nevertheless, he went on to stress the need to "strengthen the armed forces."

3. SOVIET MILITARY LEADERS

   ARMY GENERAL S. SOKOLOV, FIRST DEP. MINISTER OF DEFENSE
   1971 FEBRUARY 23 SOVETSKAIA ROSSIIA
   Wrote "We are all witness to the way the CPSU Central Committee takes care that in terms of military and technical facilities, we have unquestionable superiority over the armies of the most powerful capitalist countries..."

SOVIET CHIEF OF GENERAL STAFF ARMY GENERAL KULIKOV
1973 MARCH COMMUNIST OF THE ARMED FORCES
In discussing the preparedness of the Soviet armed forces stated that: "The Soviet Army and Navy have the requisite number of all modern means of warfare. In terms of their qualitative indicators, the majority of them are not only EQUAL TO BUT IN A NUMBER OF CASES SURPASS THE WEAPONS AND EQUIPMENT USED BY THE ARMIES OF THE IMPERIALIST STATES."

GENERAL OF THE ARMY PAVLOVSKII
1974 FEBRUARY 23 RADIO MOSCOW
Said that "the Soviet Armed Forces have now turned into a reliable guard for the achievements of socialism and the peace and security of peoples."

COL. GENERAL P. GORCHAKOV CHIEF OF STRATEGIC MISSILE FORCES POLITICAL DIRECTORATE
1973 NOVEMBER 18 KRASNAIA ZVEZDA "TRUE SONS OF THE MOTHERLAND"
"the missile forces are now equipped with the world's most powerful nuclear weapons and the most sophisticated means of delivering them to their targets..."
1974 FEBRUARY 22 RADIO MOSCOW
"The Soviet Army and Navy are being supplied with the most modern weapons and military equipment" and that "the most powerful strategic missile forces have been established in the Soviet armed forces"

COL. GENERAL ALEKSEYEV
1974 FEBRUARY 23 SOTSIALISTICHESKAIA INDUSTRIIA
"Wrote that the "Soviet Armed Forces are equipped with a sufficient quantity of nuclear weapons, missiles with various ranges and purposes."

COL. GENERAL N. LOMOV EDITOR
1973 THE REVOLUTION IN MILITARY AFFAIRS
"The present balance of forces between the USSR and the United States was reflected in the agreement concluded in May 1972 on the questions of limiting strategic offensive weapons and antimissile defense systems. The agreements on these questions show the collapse of the Cold War policy conducted by American imperialism for more than a quarter of a century."

LT. GENERAL P. ZHILIN
1973 NOVEMBER INTERNATIONAL AFFAIRS
In explaining the absence of any contradiction between detente and the "maintenance of our

defensive might at a high level," Zhilin quoted Lenin to the effect that "only after the proletariat disarms the bourgeois can it scrap any weapons at all without changing its world historic mission."

REAR ADMIRAL V. SHELAG
1974 FEBRUARY 7 RED STAR
Argued that critics had exaggerated the destructive consequences of nuclear war by basing their arguments about the "death of civilization" and "no victors in a nuclear war" on purely "mathematical calculations." He argued that the presence of "at least half the world's nuclear potential...in the hands of the Soviet Union" was a reliable guarantee against nuclear aggression and in defense of civilization.

MAJOR GENERAL M. CHEREDNICHENKO
1972 MAY 5 VOENNYI VESTNIK
Claimed that "our military-technical superiority, superiority over any potential enemy will be reliably assured" by the current Soviet Five-Year Plan.

COL. V. LARIONOV COMPOSING EDITOR FOR ALL THREE EDITIONS OF THE AUTHORITATIVE SOKOLOVSKIY MILITARY STRATEGY (1962, 1963, 1968) USA INSTITUTE'S BEST KNOWN INTELLECTUAL.
1972 JANUARY 15 PRAVDA
"the balance of forces in the world...has changed in socialism's favor."
1974 APRIL 9 FBIS III
"The militarist circles in the United States are now busy with an intensified search for a way out of the blind alley into which many years of policy 'from a position of strength' as well as the stepping up of the nulcear armaments race have driven military strategy. THE MILITARISTS OF THE SEVENTIES ARE PLACING GREAT HOPES ON THE RETURN, EVEN IF ONLY IN THE LONG RUN, OF THE LOST STRATEGIC SUPERIORITY OF THE UNITED STATES BY MEANS OF A QUALITATIVE IMPROVEMENT OF THE WEAPONS AND THE WORKING OUT OF NEW PERFORMANCE DATA FOR THEIR EMPLOYMENT TO EXERT PRESSURE ON THE SOCIALIST COUNTRIES."

COL. S. BARANOV
1972 JULY VOENNYI VESTNIK NO 7
"The Soviet Army now has sufficient quantities of the most modern technology and maintains superiority over the armies of imperialist states. The Communist Party pays particular attention to the further development of the Strategic Missile Forces, which form the main combat might of the Armed Forces..."

ARMY GENERAL KULIKOV
1972 DECEMBER 12 PARTIYNAYA ZHIZN NO 24
"The main striking power of the Soviet Armed Forces is made up of the Strategic Missile Forces equipped with modern weapons unprecedented in history - powerful strategic intercontinental - and medium range missiles and modern means of automated control. These forces, which are constantly in a high state of combat readiness and in which is concentrated colossal destructive power, are capable of dealing a crushing blow at any aggressor. These forces will play a main and decisive role in a nuclear war if the imperialists unleash such a war."

ARMY GENERAL PAVLOVSKII, USSR DEPUTY DEFENSE MINISTER
1973 JANUARY 11 PLANOVOYE KHOZYAYSTVO NO 2
"The Soviet Army and Navy have tremendous combat potential and are continuously being supplied with increasingly sophisticated weapons and combat equipment for various purposes, thus making it possible successfully to resolve complex combat tasks on land, in the air, and at sea. Their effective strength for combat includes all modern branches and categories of troops, which are in a constant state of high combat readiness and are capable of crushing any aggressor.
The chief strike force of the Soviet Armed Forces and the main means for curbing an aggressor are the Strategic Missile Forces, which serve as a reliable nuclear missile shield for the socialist countries and are capable of striking an instantaneous crushing blow at any aggressor. They are equipped with high-power intercontinental and medium range missile and also with modern control facilities."

4. OTHER STATEMENTS

RED STAR, THE DEFENSE MINISTRY'S NEWSPAPER, TAKES THE POSITION THAT THE PRINCIPAL REASON FOR THE GENERAL IMPROVEMENT IN EAST-WEST RELATIONS IN RECENT YEARS IS THE GROWTH OF SOVIET MILITARY AS WELL AS ECONOMIC MIGHT. THIS LINE WAS TAKEN ALSO BY POLITBURO MEMBER KIRILENKO IN HIS 6 NOVEMBER KEYNOTE ADDRESS ON THE OCTOBER REVOLUTION ANNIVERSARY, AND BY DEFENSE MINISTER GRECHKO IN HIS TRADITIONAL RED SQUARE SPEECH ON THE NEXT DAY. KIRILENKO STATED:
"The stronger and more cohesive the commonwealth of socialist states, the greater its economic and defense potential, the more powerful its influence on the progress of world development, the more successful the people's liberation struggle, and the more reliable the great cause of peace for which all progressive mankind is fighting."

KOMMUNIST, SEPTEMBER 1973, "AT A NEW STAGE IN THE DEVELOPMENT OF INTERNATIONAL RELATIONS," ACADEMICIAN N. INOZEMTSEV (AUTHOR OF ARTICLES IN THE FIELD OF FOREIGN POLICY AND INTERNATIONAL RELATIONS).

"The facts testify that substantial new shifts (in class forces) in favor of socialism occurred here in the early seventies. Socialism's steadily growing might resulted, in part, in the emergence of a strategic situation which revealed the futility of the imperialist circles' hopes of securing military supremacy over the Soviet Union and world socialism."

KARABANOV, THE PHILOSOPHIC LEGACY OF V.L.LENIN AND PROBLEMS OF CONTEMPORARY WAR, 1972

"The Soviet people not only built its own nuclear weapons in a short order, but subsequently ensured its superiority over the imperialist states in missiles and nuclear power."

MARXISM-LENINISM ON WAR AND ARMY 1972

"In case of war they (the Soviet Armed Forces) are able to deliver a destructive blow on the enemy and to rout him completely."

PROGRAM COSTS OF F–14

Senator SYMINGTON. Thank you. On June 11 I have a letter signed by Dr. Currie about program costs. This ties into questions just asked by Senator Young. The program costs of the F–14 airplane, as you know, are now under fairly heavy scrutiny from both the technical and financial side. The F–14 program cost given by Dr. Currie was $19.8 million each. In the same letter Dr. Currie points out the program cost of the F–15 is $11,150,000 each.

Several months ago I asked the Deputy Secretary of Defense if there was any truth about a manipulation of prices to further the F–14 as against the F–15, so as to help the financial position of the F–14 manufacturer. This Government was setting the prices, not the companies themselves. I was assured there was no manipulation of these prices, that the Iranian Government was going to purchase 30 F–14's, and 50 F–15's.

Now we understand there has been a change, that the Iranian Government is going to purchase 80 F–14's, no F–15's, and that the price offered by this Government on the F–14's, instead of being $19.8 million, according to the recent letter from Dr. Currie, has been reduced by this Government to $13.8 million, a cut of $6 million per aircraft cost. Also, that the F–15 price has been raised by this Government, to the Iranians, from $11.1 million to $13.27 million plus. Why this sudden reversal and the heavy changes in cost to the Iranian Government?

We have asked other people in the Department of Defense, but have received no satisfactory answer as to why all this was done, why the F–15 price was arbitrarily heavily raised and there was this tremendous reduction in the F–14 price to help the company's financial position on the basis of the extent of its sales to Iran?

Secretary SCHLESINGER. I think that that is an extremely interesting set of issues, Senator, and I would like to go into that with you at your convenience or have our staff go into the detailed figures.

Let me make some general observations. There is over a $1.5 million difference, as I recall it, in the flyaway costs of the F–14 and the F–15. At the time of the submission of the F–14 original letter of offer by the Navy Department, I indicated to the Navy Department that there should be a substantial charge for recovery of nonrecurring costs on the F–14, which would be added to the price of the F–14 to be charged to Iran. This amounted to approximately $2 million per aircraft. Now, I did this because any recoupments of nonrecurring costs go back to the Treasury Department of the United States for the DOD accounts. Because they have to be accounted for as recoupments, they don't necessarily provide an incentive to the individual services, but I believe that the U.S. taxpayers should normally get recoupments for nonrecurring R. & D. costs. The Navy protested that decision at the time. They would have preferred to have gone in with a far lower price on the F–14.

The general policy of charging nonrecurring costs is, I think, a sensible one and is the only fair one for the U.S. taxpayers. That policy was applied in the F–15 case as well. I trust, Senator Symington, that is was applied fairly in the F–15 case and that is why we would be delighted to go over the figures with you.

The difference in unit flyaway cost between the two fighters in the ultimate submission to the Government of Iran was on the order of $1½ million to $2 million in favor of the F–15. Obviously, the inclusion of nonrecurring costs for the two fighters tended to dilute the relative advantage of the F–15 because of the difference in flyaway costs. The F–15, for a variety of reasons, has a somewhat higher nonrecurring cost than the F–14.

Noticeable in this area is the inclusion of the costs of the development of the F–100 engine. The F–14 used an off-the-shelf engine. This resulted, when these costs were included, in a higher figure for nonrecurring costs of the engine for the F–15 than the engine for the F–14 for which there were only small costs. More important, the F–15 would have been a first buy requiring the purchase of ground handling and training equipment. The 50 F–14's is a second buy, much of the required equipment had already been ordered with the first buy of 30 F–14's.

Senator SYMINGTON. I would discuss it with you in further detail at your convenience. At the same time that the Lockheed loan was made for $250 million, the company making the F–15, Mcdonnell, was in the banks for $700 million.

As a result of an arrangement which, if newspaper articles are correct, is not, in my opinion, in the best interest of the Government, Lockheed will join perhaps the largest conglomerate of all. We are again in this broad question of the multilateral corporations, conglomerates with further deterioration, in my opinion, especially as a result of recent diplomatic developments incident to foreign countries, of the idea of free competition under the capitalistic system. So any time you are ready to talk about it, I am ready to talk about it at your convenience.

In summary, less than 2 weeks ago I was told by your people the F–14—the program cost of the F–14—was $19.8 million and the program cost of the F–15 was $11.1 million. Then a foreign country comes in, and our Government changes the prices to this extent on a foreign sale, belying its previous assurances.

I am curious. It is a subject we will get into in more detail later in the Armed Services Committee.

The Chair now says the time element is limited. I did think I should bring it up briefly now.

Secretary SCHLESINGER. Very good, Senator Symington. I would say that if the program costs of the F–15 amounted to $11 million per copy, that it would be a highly attractive fighter that would preclude any reason to go into development of the lightweight fighter. But the program cost for the F–15 is substantially higher than that.

[DEFENSE DEPARTMENT NOTE: The program unit cost of the F–15, given the present rate of inflation, will be more than $11 million per copy. The program unit cost of the lightweight fighter is expected to be about half as much as an F–15 in dollars of equivalent purchasing power.]

Senator SYMINGTON. Thank you, Mr. Chairman.

SUBCOMMITTEE RECESS

Chairman MCCLELLAN. Mr. Secretary, if it is convenient for you then we will recess until tomorrow afternoon at 1:30. As far as I know now, the hearings will be resumed here in this room.

[Whereupon, at 12:10 p.m. Monday, June 24, the subcommittee was recessed, to reconvene at 1:30 p.m., June 25.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1975

TUESDAY, JUNE 25, 1974

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 1:30 p.m. in room 1224, Everett McKinley Dirksen Office Building, Hon. John L. McClellan (chairman) presiding.

Present: Senators McClellan, Magnuson, Young, Hruska, Brooke, and Symington.

DEPARTMENT OF DEFENSE

STATEMENT OF HON. JAMES R. SCHLESINGER, SECRETARY OF DEFENSE

ACCOMPANIED BY:

DR. MALCOLM R. CURRIE, DIRECTOR OF DEFENSE RESEARCH AND ENGINEERING

TERENCE E. McCLARY, ASSISTANT SECRETARY OF DEFENSE, COMPTROLLER

JOHN M. MAURY, ASSISTANT SECRETARY OF DEFENSE, LEGISLATIVE AFFAIRS

ROGER E. SHIELDS, DEPUTY ASSISTANT SECRETARY OF DEFENSE, INTERNATIONAL ECONOMIC AFFAIRS

MAJ. GEN. JOHN A. WICKHAM, JR., MILITARY ASSISTANT TO THE SECRETARY OF DEFENSE

INTRODUCTION OF ASSOCIATES

Chairman McCLELLAN. The subcommittee will come to order.

This afternoon the subcommittee resumes its hearing with the Secretary of Defense. Accompanying him are:

Dr. Malcolm R. Currie, Director of Defense Research and Engineering; Mr. Terence E. McClary, Assistant Secretary of Defense (Comptroller); Mr. John Maury, Assistant Secretary of Defense (Legislative Affairs); Mr. Roger E. Shields, Deputy Assistant Secretary of Defense (International Economic Affairs); and Maj. Gen. John A. Wickham, Jr., Military Assistant to the Secretary of Defense.

When the subcommittee recessed yesterday, Secretary Schlesinger had stated that no funds were added to the fiscal year 1975 Defense budget for the purpose of stimulating the Nation's economy and, there-

fore, that each dollar could be justified as being vital to the national defense security.

Does any member have questions relative to this matter before we move to another subject?

I would like to keep this in some chronological order.

Do you have any further statement to make, Mr. Secretary, with regard to this matter?

Secretary SCHLESINGER. Just this, Mr. Chairman.

The only justifiable basis for the Defense requests is their contribution to the national security. The Congress, of course, may not share our judgment about the contribution of any specific program, but that is the decision for Congress to make.

I think we can all agree that the defense budget must be justified on national security grounds.

Chairman MCCLELLAN. All right, Mr. Secretary, thank you.

I would like to move now to the next subject.

It was discussed I believe in the pamphlet "Military Policy and Budget Priorities," and testified to by Mr. Warnke that we can reduce the budget by $5.9 billion in general purpose forces.

Is that your understanding, Mr. Secretary?

Secretary SCHLESINGER. I am looking at the "Summary of feasible reductions, General Purpose Forces"—$5.9 billion, on page 3.

The first of the items is $2.4 billion for Asian committed forces. My response yesterday to Senator Fong, I think, dealt with that particular aspect.

What the committee that produced this document suggested was that we withdraw all of our land-based forces from Asia. The consequence of that, I think, in terms of the political stability of the region and to some extent the military stability, would be substantial.

As I mentioned yesterday, the United States must base its forces on its commitments. It should look to the consequences of withdrawal in terms of those commitments rather than adjusting the forces on the basis of a desire for budgetary reduction.

The withdrawal of 125,000 men from Asia would destabilize the region, it would bring about a fundamental reorientation I think in the policies of Asia—Japan, Korea, Southeast Asia, Indonesia. These are significant matters and they are worthy of debate by the Senate, but I think, in terms of what would be the consequences, rather than merely assuming that the presence of the U.S. 7th Fleet alone would have the same political-military effects as the presence of the now substantially reduced U.S. forces in Asia.

Those U.S. forces are undergoing somewhat further reduction, Mr. Chairman, but I think that my response to Senator Fong amply puts on the record the issue of that $2.4 billion.

The next item is a small reduction in a program called Indian Ocean carrier, and I can identify no Indian Ocean carrier. There may be a desire to reduce the carrier force by one carrier, which would save approximately $100 million, but there is no intention at the present time to maintain a specific Indian Ocean fleet.

What we have done in recent months and will probably continue to do is split off intermittently parts of the 7th Fleet for movement into the Indian Ocean for a brief period of time.

We have not had a carrier in there, I believe, since the *Kitty Hawk* departed something on the order of 3 months ago.

Chairman McCLELLAN. Mr. Secretary, let's take the general purpose forces in Asia where Mr. Warnke claims that a $2.4 billion saving can be made. Does that provide that these forces be demobilized or just merely returned home?

Secretary SCHLESINGER. That suggestion assumes that the forces will be demobilized and the proposal here is a very substantial reduction.

Chairman McCLELLAN. How many troops would that involve?

Secretary SCHLESINGER. 125,000 reduction from the total force structure for the Asian contingent alone.

Chairman McCLELLAN. Well, would it involve any others? He points out $2.4 billion would be saved in connection with Asian committed forces, which I assume that they should be withdrawn and demobilized.

Secretary SCHLESINGER. That is correct.

Chairman McCLELLAN. Now, your contention is that we should not withdraw those forces, not precipitously either?

Secretary SCHLESINGER. That is correct, Mr. Chairman.

Chairman McCLELLAN. If we shouldn't withdraw them, should they be demobilized and overall strength reduced?

Secretary SCHLESINGER. In my judgment, the shrinkage of our general purpose forces over the last 6 years has gone as far or perhaps even farther than it should. We have been attempting, within manpower and resource constraints, to increase the combat capability rather than to shrink it.

I think it would be ill advised, given the worldwide responsibility of the United States, further to shrink the force structure. This proposal would do precisely that.

Chairman McCLELLAN. This would do it immediately because it would deny funds for further support of them.

Secretary SCHLESINGER. Yes; I believe also that the budget savings specified here would be less in fiscal year 1975 than the report indicates because it would take us a substantial period of time to reduce those forces, to move them to the United States, and to move the equipment back to the United States.

Chairman McCLELLAN. In other words, the $2.4 billion could not be achieved even if you started immediately to remove and demobilize?

Secretary SCHLESINGER. Correct.

Chairman McCLELLAN. It could not be achieved for fiscal 1975, is that correct?

Secretary SCHLESINGER. That is correct. We would probably achieve approximately half of that in savings if we started the demobilization in fiscal 1975.

Chairman McCLELLAN. But you couldn't achieve that much?

Secretary SCHLESINGER. No, sir.

Chairman McCLELLAN. And you advise against the policy or program of immediately returning and demobilizing that many, 125,000 forces?

Secretary SCHLESINGER. Yes, sir, that is correct.

RESERVE PROGRAM

Chairman McClellan. All right. Now, we can go to the Reserves.

Secretary Schlesinger. We have suggested some adjustment in the Reserve program this year. I think it is fair to comment that the suggested adjustments of the Reserve programs were not universally acclaimed on the Hill.

Chairman McClellan. How much have you reduced the Reserves?

Secretary Schlesinger. We had a planned reduction of 48,000 structure spaces in the Army Reserve components and a reduction in the number of Air National Guard units, Mr. Chairman. I think it was something like five Air National Guard units.

Chairman McClellan. How many personnel would that be?

Secretary Schlesinger. That would be on the order of something in excess of 52,000 structure spaces in total. The Army structure spaces are not filled with personnel. The 4,400 Air National Guard personnel would have to affiliate with other units.

Chairman McClellan. Well, what about the Navy and Marines?

Secretary Schlesinger. I don't believe, Mr. Chairman, that there were any substantial changes planned for the Navy or Marine Reserve units.

Chairman McClellan. Well, do I understand you now that the program that you are now pursuing will result in a reduction of around 48,000 Army Reserves and 52,000 Air Force Reserves?

Secretary Schlesinger. No, no, sir, the reduction of Air Force units was approximately 4,000 to be added to the 48,000.

Chairman McClellan. I thought you said 52,000 reduction?

Secretary Schlesinger. Sir, that is inclusive of both the Army Reserve components and the Air National Guard.

Chairman McClellan. Well, the total is 52 instead of 100?

Secretary Schlesinger. Yes, sir.

Chairman McClellan. You are now in the process of making these readjustments so as to reduce around 48,000 Army Reserves and 4,000 in the Air Force, is that right?

Secretary Schlesinger. I think we will have to await the outcome of the conference report in that regard, Mr. Chairman. There has been, as I say, some questioning of the desirability of those reductions on the Hill.

Chairman McClellan. Well, I am asking, is that your program?

Secretary Schlesinger. Yes, sir, contingent on the action of the Congress.

Chairman McClellan. Now, would that result in the $.6 billion savings mentioned or any part of it mentioned here in this Warnke report?

Secretary Schlesinger. It would be a part of that savings, Mr. Chairman.

How much would we save, Mac?

Mr. McClary. Essentially, it is offset by pay increases.

SAVINGS TO ARMY RESERVE STRUCTURE SPACE

Secretary Schlesinger. Mr. Chairman, we will put a figure in the record.

[The information follows:]

The annual savings related to the 48,000 Army Reserve structure space (20,000 average drill strength) will be approximately $42 million dependent upon the approved reduction plan. These savings will be applied for modernization and readiness for the battalion affiliation program of associating Reserve component battalions to specific active Army units for training.

If implemented, the annual savings resulting from the Air Force flying unit reduction will be approximately $33 million.

BUDGET CUTS

Chairman McCLELLAN. Well, there evidently will be some savings of that [$.6 billion]?

Secretary SCHLESINGER. Yes, sir.

Chairman McCLELLAN. That is one area where we possibly can make some valid cuts, is that correct?

Secretary SCHLESINGER. Yes, sir.

Chairman McCLELLAN. You don't know the amount yet?

Secretary SCHLESINGER. It is on the order of probably $300 million over a 5-year period.

Chairman McCLELLAN. About half of that?

Secretary SCHLESINGER. Yes, sir.

Chairman McCLELLAN. That is potential savings of that $600 million.

Let's go to procurement.

According to Mr. Warnke and his group's report, you could save $2.8 billion in procurement for general purpose forces.

Is that premised on the assumption that the Asian forces would be reduced by 125,000 and that you would have a savings of $2.4 billion for their support?

AWACS PROGRAM

Secretary SCHLESINGER. Mr. Chairman, that is, I believe, premised on the elimination of certain programs. It would cancel the AWAC's program. It would halt the Navy F-14 program. It would stretch out procurement of nuclear attack submarines and suspend the new tank development program and stretch out procurement of the DD-963 class destroyers and slow procurement of the new patrol frigates.

Chairman McCLELLAN. Now, can you submit for the record at this point the end effect it would have on each of those programs and the amount that would result in savings for each of those programs?

Secretary SCHLESINGER. Yes, sir.

Chairman McCLELLAN. Can you submit that for the record?

Secretary SCHLESINGER. We will submit that for the record.

[The information follows:]

WARNKE REPORT: The Report states that "AWACS was suddenly and unconvincingly shifted from a strategic to a tactical mission."

DOD COMMENT:

1. AWACS has had a tactical mission since its inception in 1963. The strategic mission remains but has been deemphasized as a result of the SecDef decision to maintain a CONUS air defense force capable of surveillance and peacetime control of US airspace, and of providing warning of a bomber attack. AWACS will be available for the CONUS air defense mission from the tactical or general purpose force, but no aircraft will be dedicated to the strategic mission. The block I AWACS configuration, for which FY 1975 procurement funds are requested, is capable of performing both the tactical and strategic mission.

2. Tactical surface-based radars are deficient in low-altitude coverage due to line of sight and terrain masking limitations. This problem is especially acute in the predominantly hilly or mountainous terrain in the US sector of NATO. The AWACS will be able to detect and track low-flying enemy penetrations regardless of terrain, to furnish timely warning to defensive systems and support operations in the rear areas, and to control offensive and defensive forces when required.

3. The events of the October Middle East war have amply demonstrated the advantages of a central command and control system. AWACS, as a highly mobile and flexible national resource, will provide all-altitude surveillance and data exchanges for tactical and air defense forces across the wide range of possible contingencies. It will be integrated with ground-based systems where they exist, or will provide effective control where such systems do not exist, are degraded, or are destroyed by hostile action.

WARNKE REPORT: The Navy should halt the F-14 aircraft program ($756 million) and the Phoenix missile being developed for it ($100 million). The VFX is far more promising.

DOD COMMENT:

1. Present generation Soviet tactical and interceptor aircraft can outperform the present US first line fighter, the F-4, in a wide range of maneuvering envelopes. Soviet tactical and air defense aircraft (FOXBAT, FLOGGER, FLAGON, FENCER, etc.) will continue to improve in performance in the future, thus dictating the fleet requirement for the F-14. The F-14, currently in the fleet inventory, is capable of simultaneously engaging multiple targets at extended ranges with the PHOENIX missile system at altitudes from sea level to over 80,000 feet. This capability is required in view of the standoff missile capability of Soviet air, surface, and subsurface forces. Termination of the F-14 production line would deprive the fleet of a first line aircraft capable of both offensive and defensive roles and would certainly not be a cost effective move.

2. It is clear that we can build "extemely austere" aircraft at a very low cost -- trading off the armor plating and ECM gear to protect pilots, fuel capacity to provide loitering time and armament to provide firepower. But the Report merely asserts cost savings without addressing the tradeoffs involved.

3. In keeping with the high-low mix concept, the Navy is studying a light weight, less expensive combination fighter and attack aircraft (VFAX) which would complement the F-14 in the fighter role for the Navy and Marine Corps and also provide an eventual replacement for the A-7 and F-4. The FY 1975 budget contains a VFX line item which would fund industry design and permit the issuance of a Request for Proposal (RFP) during third quarter FY 1975. The goal is to proceed toward engineering development at a pace which will permit deliveries of the VFAX in calendar year 1981.

WARNKE REPORT: The Navy should stretch out procurement of the SSN-688 nuclear attack submarine by funding two instead of three boats in FY 75, thus saving $100 million.

DOD COMMENT: Because there is some question about shipyard capacity, the Defense Department is reexamining the SSN-688 construction program. It should be noted that the deferral of one submarine to a later year will not save money in the long run. Indeed, it will most likely cost more to build that submarine in a later year.

WARNKE REPORT: Suspend new tank development and decrease M-60 tank procurement.

DOD COMMENT:

1. The Middle East war further validated the role of the tank in a modern environment. Heavy initial Israeli tank losses were due largely to inadequate intelligence of enemy capabilities which led to their failure to employ tank units as part of a combined arms team, with infantry, artillery, and air support. Properly employed, the tank can survive on the modern battlefield. The Soviets are continuing production of their standard T-62 tank as well as developing and deploying new versions. US tanks must remain technologically superior. The requirement therefore exists to continue development of an improved tank to meet the future threat.

2. The FY 1974 supplemental and the FY 1975 budget submission provide for continued procurement of M-60 series tanks to achieve the desired readiness level of our forces.

WARNKE REPORT: The Navy should stretch out procurement of the DD-963 by cutting the FY 75 build from seven to three ships and slow procurement of the Patrol Frigate by reducing each program to $200 million in FY 75.

DOD COMMENT:

1. During an extended conflict involving the Soviet Union, protection of our sea lines of communication would be a matter of vital concern to our nation. The DD-963 class destroyer is an essential element of the "high" mix of escorts designed for use in the carrier task force in areas of increased threat. The Patrol Frigate represents the "low" mix and is an essential component of the plan to improve the Navy's capability for the complex mission in areas of lesser threat.

2. The total number of US major surface combatants has reached a new planned low of 179 in FY 1974 as older ships are retired at a faster rate than new ships are delivered. Beginning in FY 1975, this downward trend will be reversed as programmed ships now under construction are delivered to the fleet at a faster rate than the rate at which older ships are retired. Current force level deficiencies have resulted from these prior year force level reductions. A near term risk was accepted to provide badly needed modernization of major surface combatants. It is not considered prudent to unnecessarily extend this risk by either a stretchout of the DD-963 program or a slow-down in the procurement of the Patrol Frigate. Such action would inevitably lead to increased rather than reduced total costs.

REDUCTIONS IN PROGRAMS

Chairman McCLELLAN. All right, now, discuss those programs generally as to which ones you have identified that you think reductions can be made or that recommendations of the Warnke report could be agreed to. If any, point them out.

Secretary SCHLESINGER. I would not recommend the acceptance of any of the cancellations proposed. The one area that is a subject on which we would like additional information is whether or not we have the capacity at the present time to build three more 688 class nuclear attack submarines in fiscal year 1975.

Chairman McCLELLAN. Six what?

Secretary SCHLESINGER. 688 class nuclear attack submarine.

What I would like to do is examine as to whether we have yard space. But, in any event, I think we have this situation.

Chairman McCLELLAN. Well, look into it and supply for us the information by letter or otherwise as to whether it can be a potential savings.

Secretary SCHLESINGER. Well, we would like to expand of course, the number of 688 class nuclear attack submarines in the force but the question is whether we have the shipyard capacity for the production of another three of those vessels in fiscal year 1975.

Chairman McCLELLAN. All right, anything further you want to say on the subject of general purpose forces before I ask my colleagues here if they have any questions?

[The information on the SSN program will be furnished separately by letter to the Chairman.]

Secretary SCHLESINGER. Just two points, Mr. Chairman.

On the question of Reserves, the proposals that we made this year are intended to strengthen the Reserves. We have, we think, too little equipment in the Reserves, but the Reserves are intended by the Department of Defense to be an effective part of the force structure, to be a successful substitute for and complement to the active duty forces.

I am not sure that the attitude taken toward the Reserves in this report is similar to the attitude of the Department of Defense on this question.

We have made some recommendations of, I think, relatively small adjustments in the reserve for efficiency reasons, hoping to increase the ultimate total capacity of the Reserves in terms of combat power.

I think the purpose of the report may be more in the direction of gradual reduction of the strength of Reserves over a time. That would not be our intention.

Now, with regard to some of these programs which are suggested for stretchout, the patrol frigate and the DD-963 programs.

Chairman McCLELLAN. What?

Secretary SCHLESINGER. The patrol frigate and DD-963 are examples of the new Navy programs through which we are attempting to rebuild the U.S. Navy. The Navy has shrunk substantially in the past 7 years as we retired World War II vessels.

I would strongly urge that this committee not consider slowing down the strengthening of the U.S. Navy.

Chairman McCLELLAN. Well, Mr. Secretary, are you not undertaking to maintain the Navy today by smaller vessels rather than building big battleships?

Secretary SCHLESINGER. Yes, sir. And the patrol frigates are an example of that, Mr. Chairman.

Chairman MCCLELLAN. Is that a more economical way to maintain our naval strength?

Secretary SCHLESINGER. Yes, sir, and it is conceded, I think, in this report. The report refers to the patrol frigate as an "imaginative concept for a lower cost, less complex ASW ship."

They object to the pace of procuring these vessels, but they recognize them to be an imaginative concept, as I have just quoted.

Chairman MCCLELLAN. In other words, if you are going to spend the money for the Navy, they would choose this method?

Secretary SCHLESINGER. Yes, sir.

Chairman MCCLELLAN. But they think it is unnecessary?

Secretary SCHLESINGER. That is, they would like to postpone that expenditure.

Finally, with regard to the AWACS the report argues that the AWACS, the Airborne Warning and Control System, was unconvincingly shifted from strategic to tactical missions. I disagree with that entirely.

The AWACS was designed initially for both roles, the tactical role and the strategic role. We believe in the Department that the AWACS will play an invaluable part in control of the tactical air battle and it is for this reason that we are placing stress on the AWACS.

As the chairman knows, as the members of the committee know, we have felt that one of the areas in which we could economize in the Department has been in the continental air defense area. With the Soviet Union possessing, as it does, missile strike capacity that can destroy any city in the United States, the maintenance of the continental air defense in terms of the traditional mission of stopping bomber attacks on cities, would seem to be superfluous.

Consequently, we have changed the concept of the continental air defense mission to the maintenance of a reasonable control of the air space over the North American Continent.

We believe we can achieve economies in this area. For this reason, we have deliberately chosen to stress the AWACS role in the tactical mission. Its role in the tactical mission, wherever it may be employed, whether it be used over NATO carrier task forces or over NATO battlefields, provides a most impressive capability in terms of its ability to monitor what is going on over the battlefields.

So this is an area which, in my judgment, is most unsuitable for cancellation.

Chairman MCCLELLAN. Is not AWACS primarily a weapon designed principally for the NATO forces; isn't it to defend NATO and the NATO countries primarily?

Secretary SCHLESINGER. That would be a major use, Mr. Chairman.

Chairman MCCLELLAN. A major use?

Secretary SCHLESINGER. Yes, a major use, but the advantage of AWACS, in my judgment, is its flexibility.

It could have been employed, say, in Southeast Asia. It could be employed in conjunction with carrier task forces.

Chairman MCCLELLAN. How about in the Mideast? Could it have been employed there?

Secretary SCHLESINGER. It could well have been employed in the Middle East.

Chairman McClellan. In other words, it is an all-around ground war weapon?

Secretary Schlesinger. Yes. For purposes of the air-surface battle, yes, sir.

Chairman McClellan. Will the NATO countries purchase AWACS?

Secretary Schlesinger. It is anticipated, Mr. Chairman, they will purchase the AWACS.

Chairman McClellan. Any commitments as of now?

Secretary Schlesinger. Let me allow Dr. Currie to tell you the current status on that.

Chairman McClellan. Proceed.

Mr. Currie. A study is being made by the NATO nations at the SHAPE Technical Center. The report will be due next spring, next April, in which consideration is being given to the AWACS as an asset for the NATO alliance.

Chairman McClellan. Why do we have to take a year to find out whether NATO countries are going to purchase AWACS or not or are going to participate in the program? That is an awfully long time.

Mr. Currie. Things move very slowly when a number of nations are involved.

Chairman McClellan. They sure do, Doctor, when we are footing the bill. We are trying to get them to do their part. I am not opposing this weapon, but I do feel that its primary purpose right at the moment is to serve NATO. I feel like those countries have a responsibility and an obligation to make some initial contribution as we go along toward the development of it and certainly if we begin to procure AWACS.

I think they ought to share in the procurement costs.

Secretary Schlesinger. That is agreed, Mr. Chairman. The military authorities of NATO have proposed, I believe, the incorporation of the AWACS into the air defense system of NATO.

They have made this recommendation to their various governments. I believe that prominently the German Government is in support of this concept. I think that one can say that the likelihood is very high that the European nations will indeed purchase the AWACS.

In any event your point is well taken, to the extent that AWACS will be related to the defense of NATO, that the NATO nations will be obligated to pick up their fair share of the force structure associated with the defense of Europe and will be obligated to make the dollar expenditures associated with that. We are in entire agreement with you, Mr. Chairman.

Chairman McClellan. If I support this project I am going to do it with a strong expectation that they pick up their appropriate share of this expenditure, that they purchase an appropriate number of the weapons and that they participate in the cost of the development of this weapon and in the cost of making them available in the arsenal of NATO.

On page 15 the Warnke report states: "We recommend that most of the forces maintained for Asia intervention, including the incremental force earmarked for Vietnam be eliminated."

Do you want to comment on that?

He says this reduction of the force structure would yield savings of $463 million in incremental costs for Vietnam plus another $1.9 billion for demobilization of three divisions, eight air wings, and one carrier with attendant direct fleet and shore support.

Do you feel you have covered that sufficiently in your testimony?

Secretary SCHLESINGER. Yes indeed, Mr. Chairman, with regard to the Asian aspect. But your earlier question related to the impact on the total U.S. force structure.

Of course, in our minds we earmark certain components of the forces that we deploy or station for particular contingencies, but the overall aggregate impact of the force is not necessarily related to the places for which they are earmarked.

We feel that it is necessary in order to maintain the worldwide position of the United States not to diminish the force structure from which these particular units are earmarked for one place or another. We ought to maintain at least the current force structure which is now substantially lower than it was in 1964.

Chairman MCCLELLAN. Well, all right, turn to page 60. I call your attention to contents of the budget report in the second paragraph: "With every modest initial step the European forces and bases should be included in an immediate 15-percent cut in support personnel."

I assume they would want that cut in demobilized personnel as well.

He says: "In fact, the Secretary of Defense acknowledged recently that at least 20,000 support personnel could be withdrawn."

Meaning there, I assume, from NATO.

What is your comment about that?

Secretary SCHLESINGER. I do not recognize the Secretary of Defense acknowledging that point. I think that what he may have had in mind here is that we have explored, in relation to the mutual balance force reduction exercise, how, if we obtain from the Soviets a reduction on their side, the United States might reduce its own forces along with the reduction of the forces in the Warsaw Pact. We have studied a number of alternatives of that sort and among those alternatives we would hope to be fairly heavy on the support side rather than on the direct combat side.

So I think that is what is referred to at that point. In this connection, we are working as hard as we can with the Senate Armed Services Committee and with Senator Sam Nunn of Georgia with regard to the reduction wherever we can find it of superfluous support personnel, so that those personnel can be transformed into combat capabilities.

Senator Nunn suggested a figure on the order of 20 percent of Army support personnel, I believe, but Senator Symington will recall it more precisely. The point is that I have told Senator Nunn I do not know whether the figure is 23,000 or 6,000, but that we are prepared to work with him and with the Armed Services Committee with regard to insuring that we have the minimum in essential support forces in Europe and wherever we can find reductions we shall be prepared to improve the combat capability of the U.S. Armed Forces in Europe with that in mind.

Now, you used, in addition, Mr. Chairman, the word "immediate." Immediate reductions which are not thought through normally cause great difficulties in maintaining the combat capabilities of forces. It is, I think, a fact that if one demobilizes rapidly or adjusts the force

structures rapidly, that the effect is a reduction in combat capability.

We do not know what the appropriate number of support personnel that might be reduced is, but we know that we must explore the substantive details in order to achieve these kinds of reallocations rather than pick an arbitrary figure in advance.

Chairman McClellan. Mr. Secretary, in that connection, there has been a sentiment in Congress, particularly in the Senate, that these forces in NATO should be reduced.

Every time we talk to you about it you keep saying: Well, we have to look further and further and further. It seems to me like you ought to have already done some looking into it and should be able to say something pretty concrete about it by now.

Secretary Schlesinger. Mr. Chairman, there are two issues that your question averts to.

One is the general deployment in the European area of approximately 300,000 men, including about 190,000 U.S. Army personnel in Germany. The other question which you had referred to earlier was: Within that component, what adjustment should be made in support forces in relation to combat forces. I am not satisfied that we have examined that latter question sufficiently and I indicated that we are prepared to work with the Senate Armed Services Committee to insure that the members of that committee feel we are getting the appropriate return on the dollar from those support forces.

With regard to the larger issue that you have just raised, the maintenance of the deployed U.S. Forces in Europe, I recognize that there are differences of opinion on the Hill and that there are differences of opinion within the Government as a whole. I am heartily in favor of retaining, in general, our force structure in Europe.

I think that that force structure is an indispensable part of the security of Western Europe, a part that cannot be substituted for, at least in its entirety, by European forces, that the near-term prospects of such substitution are very limited, and that the relatively limited contribution that the United States makes to NATO Europe is essential for the United States in that part of the world which remains the most critical to the United States from the standpoint of our national security.

We have, of course, reduced those forces somewhat over the last decade. I would argue strongly, Mr Chairman, in behalf of the retention of the current level of forces in Europe for the immediate future.

If the Congress does decide ultimately to support those forces, it should decide, in my judgment, on the basis of offering commitments to the Europeans as long as the Europeans do certain things in terms of their contributions to the overall security of Western Europe and to the Western World.

Chairman McClellan. Mr. Secretary, I think that has been one of our troubles and deficiencies in our entire relationship with NATO. We have not placed those conditions where they should have been imposed. In my judgment, we have been good fellows that go along and foot the bill. I realize we do have a stake in NATO, but it is not necessary, in view of our own domestic problems, that we be the leader of the free world and assume an inequitable financial burden of NATO as well. I just feel like NATO countries should have some conditions imposed on them if we are going to keep our troops in Europe.

I would like to call your attention to the next sentence in this report.

Secretary SCHLESINGER. Mr. Chairman, may I make one additional observation first?

Chairman MCCLELLAN. Yes.

Secretary SCHLESINGER. The Europeans collectively have not been doing enough, but there is no European collectivity. Individual nations in Europe do a great deal.

I think that the German contribution to the security of Western Europe has been substantial. I have hopes that in the new regime that has come into office in France, that the collaboration between France and the other NATO nations will become closer once again.

The French make a substantial expenditure on defense. The problem has been that it has not been sufficiently dovetailed with the contributions made by the Americans, Germans, and others.

Norway and Turkey make substantial efforts. Some of the efforts of the other nations in Western Europe have been disappointing.

The British in the past have made a very substantial effort in terms of expenditures. That is being reviewed at the present time.

We trust that we will be able to persuade the British to maintain a fairly high contribution as to expenditures.

Mr. Chairman, it is not that the United States is doing too much. It is that some of the nations of Western Europe are doing too little. We should, and I think we have been somewhat successful in this last year in encouraging a number of the nations to do more.

Chairman MCCLELLAN. I call your attention to the next sentence in the report following the one I quoted to you about your having acknowledged that at least 20,000 support personnel can be withdrawn.

The next sentence following that says:

> Significant economies of personnel and money would be available by reducing tactical nuclear weapons in Europe and this can actually increase our security by minimizing the risk of nuclear war.

Now, I would like your comment on that. If our removing forces really reduces the risk of nuclear war, we should make a complete reversal of our present military program, in my judgment, because a nuclear war is the one thing the world doesn't want to risk.

Secretary SCHLESINGER. I agree with the thrust of your observation, Mr. Chairman.

Chairman MCCLELLAN. I would like to hear your discussion of it. We are on the wrong course now if that is correct.

Secretary SCHLESINGER. I think that the way the risk of nuclear war in Europe, or the way the risk of nuclear war in general, is held down is by the maintenance of our conventional capabilities. It is the maintenance of the United States and allied conventional capabilities that keeps the nuclear threshold high.

The notion that the movement of nuclear weapons out of Europe makes that kind of contribution strikes me as inherently fallacious. So I would not agree with the last part of the sentence you read Mr. Chairman.

Now, with regard to the first part of the sentence, the appropriate level of tactical nuclear weapons in Europe, that is a vexing problem for diplomatic and political reasons.

Senator Symington recently held hearings in his subcommittee on this particular issue. The hearings of that subcommittee are extensive

and I think would be available to this committee. I see no reason to repeat that extensive testimony at this time.

The problem of the appropriate or optimal level for tactical nuclear weapons in Europe is an issue that could come up in the MBFR discussion. It is related to the diplomatic aspects, but the main point is that the weapons we are talking about, whether located in the United States or located in Europe, represent very little in terms of potential economies.

The cost of nuclear weaponry is not in the stockpile of ADM's or artillery shells, largely inherited from the past. The costs of that stockpile are minimal at the present time. So one is talking about numbers on the order of tens of millions of dollars at the maximum, rather than the notion of billions of dollars.

That tens of millions of dollars would be the outside estimate of our costs in Europe for most of this nuclear stockpile.

So I would not agree that there are substantial economies to be made. Senator Symington's committee went into the policy issues, and this is primarily a policy matter rather than a question of savings or costs associated with the deployment.

Chairman McClellan. I have just one other matter I think you should cover.

Turn to page 18 of this budget pamphlet and I quote from the fourth paragraph:

> We recommend that research, development and procurement of weapons for general purpose forces be reduced by $2.8 billion through a combination of terminating and stretching out programs and any additional costs incurred from implementing these cut-backs should be met out of the unobligated balances of the budget authority now totaling $10 billion.

Now, you have covered that in part with discussion of some of these weapons that you favored.

Please comment on what research could be cut out and I would like you to comment and give some explanation about the $10 billion that is unobligated.

Secretary Schlesinger. Yes indeed, Mr. Chairman.

As I indicated, most of the savings suggested here would come from a cancellation of the F–14, AWACS, and the stretchout of some other programs. This $2.8 billion is, I think, one of the numbers that was just grabbed out of a hat. There would be all kinds of termination costs, unit cost increases where programs are stretched out, and the costs of the substitutes for the systems canceled.

The problem with our general purpose forces, I think, is not that they are overly funded in terms of R. & D. and procurement. A prudent review by this committee of particular items that we have requested funding for, I think, would be most appropriate, but I would suggest that talking about a $2.8 billion reduction of R. & D. and procurement in the general-purpose forces area is not related at all to the security of the United States. We cannot and should not embrace the notion of arbitrary reductions of this sort.

Chairman McClellan. Can you identify the amount that would be identified with research? What part of this $2.8 billion would be research?

Secretary Schlesinger. Well, I am not sure about that.

Chairman McClellan. You can't tell from his figures?

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Secretary SCHLESINGER. No, not precisely.

Chairman MCCLELLAN. Is there anything further you want to state on this before I yield to my colleagues?

Secretary SCHLESINGER. I would suggest that Dr. Currie make some observations with regard to the impact on R. & D. and then our Comptroller, Mr. McClary, can comment on the unobligated balances in response to your question.

Chairman MCCLELLAN. Briefly, Doctor, because I want to move on.

Dr. CURRIE. This would represent a very significant cut.

Chairman MCCLELLAN. How can you tell? Is it all lumped together?

Dr. CURRIE. It is all lumped together but the research and development on general purpose forces is some $4 to $4.5 billion a year and the procurement is another $8 to $10 billion, so $3 billion out of that represents a very significant cut.

As Secretary Schlesinger mentioned, this program has been built very carefully to modernize our forces at a time when manpower was going down. So we cannot tolerate that cut.

Chairman MCCLELLAN. Mr. McClary, do you want to talk about the $10 billion?

Mr. MCCLARY. Yes. Much of this refers to our 3-year aircraft account and our 5-year ship account.

As you know, we do receive appropriations but then it takes some time before we obligate those funds.

Chairman MCCLELLAN. You have to have the appropriation before you can obligate.

Mr. MCCLARY. That is right.

Chairman MCCLELLAN. Now, if you utilized these funds for something else, that in the $10 billion you had on hand for the ships and aircraft, where you have not yet completed a contract and obligated the expenditure, that would preclude you from carrying out the other programs, is that correct?

Mr. MCCLARY. That is right. It would preclude us from carrying out the intent of Congress through the appropriation.

Chairman MCCLELLAN. In other words, the appropriations were made for another purpose?

Mr. MCCLARY. That is right.

Chairman MCCLELLAN. Senator Young, any questions?

Senator YOUNG. No questions.

Chairman MCCLELLAN. Senator Magnuson?

Senator MAGNUSON. You mentioned earlier, Mr. Secretary, that part of the enabling program was to rehabilitate the Navy, the smaller ships and things of that kind, there was a lack of shipbuilding facilities, is that correct?

Secretary SCHLESINGER. With regard to nuclear powered submarine capacity, Senator Magnuson.

Senator MAGNUSON. Yes. I read someplace last week, somebody in DOD mentioned there was some thought of reactivating or building up present naval shipyards that are perfectly adequate to add to their ability to build ships.

Secretary SCHLESINGER. Yes, sir.

Senator MAGNUSON. Rather than building a new shipyard someplace or finding a new private yard, because they take a long time to build and they are very costly.

Is that still in the works?

Secretary SCHLESINGER. I believe that that is being examined, Senator Magnuson.

Senator MAGNUSON. There is no decision but just that they would have to do it of course, naturally you know what I am thinking about.

Secretary SCHLESINGER. I believe there is a shipyard at Bremerton, Wash., is there not?

Chairman MCCLELLAN. Now, could the 688 submarine be built in Bremerton?

Secretary SCHLESINGER. I believe the yard has that capacity. It would have to be augmented in terms of technical personnel.

Chairman MCCLELLAN. Now, I am glad to hear what you had to say about AWACS, because it has been subject to a lot of discussion as to whether it is worthwhile or not and whether it costs too much and has the capabilities that we thought it would have.

But you think the AWACS program has shown that it will be worthwhile and will work?

Secretary SCHLESINGER. Yes, sir; we are conducting some final tests prior to the commitment of procurement funds which will come next December, and these final tests will deal with certain types of counter measures, will deal with the possibilities of jamming, and before we commit the funds we want to have good answers to those questions.

But at this stage we think that the aircraft will be more satisfactory than any alternatives.

Senator MAGNUSON. And that is not only your judgment but apparently it is the judgment of the people of NATO who think it is going to be a valuable addition to their arsenal?

Secretary SCHLESINGER. Yes, sir.

Senator MAGNUSON. I mean it is judgment of everyone concerned. Of course, they know about it. They know what it can do and they know about its progress.

Now, also, in here, I don't know whether you have mentioned it or not, but there is a suggested savings on the Trident of $1.4 billion. Has that been commented on?

Secretary SCHLESINGER. Not as yet, Senator.

Senator MAGNUSON. Could you say something about that?

Secretary SCHLESINGER. Well, I think that the argument there is that we just postpone the replacement of the existing SSBN's. It is stated here that the program is a technical, military and fiscal fiasco, the basis of which argument I do not understand.

There is a statement here that the subs will cost $1.3 billion a copy. That is not correct. These 10 submarines will cost approximately $600 million a copy, including all one-time costs. They will be more costly than the Polaris–Poseidon boats have been, for example, but they will be much more effective.

The other money is mainly for the new Trident I missiles, including R. & D.

Senator MAGNUSON. For new types.

Secretary SCHLESINGER. Yes, sir; which are in R. & D. and will be in procurement.

The report, I think, is misleading in the sense that it does not recognize the cost of the Trident I missile when it talks about the $1.3 billion per boat.

Since the report recommends that we proceed with the Trident I missile, a large part of the costs associated with this program would have to be incurred in any event. The argument here is that we should forget about the rest of the Trident program, including the Trident II missile, and it would strike me as very unwise, technically, in view of the evolution of the strategic balance.

The Trident program is a necessary ingredient in the maintenance of the strategic balance with the Soviet Union.

Senator MAGNUSON. And there will be probably discussions about this type of submarine both ways, will there not, between the Soviets and ourselves?

Secretary SCHLESINGER. Yes, sir. The Soviets, in the SALT negotiations, have taken precisely the point of view advocated in this report, which is "We wish you would bend in the Trident program," from which I assume they do not concur that it is insignificant.

Senator MAGNUSON. No, they don't.

Thank you, Mr. Chairman.

Chairman MCCLELLAN. Senator Young?

Senator YOUNG. I don't know that I understood your statement quite correct, but I believe you indicated the Russians have the capability of destroying every city in the United States?

Secretary SCHLESINGER. Yes, sir.

Senator YOUNG. And that we could adequately defend ourselves with less airpower?

Secretary SCHLESINGER. No, sir. The point was that since we do not have a ballistic missile defense and since the bulk of the Soviet capabilities are in missile forces, we are not able to defend any cities in the United States. Aside from Grand Forks where we are deploying a limited ABM capability, there is no ABM defense in the United States. Consequently the Soviets, with these missile forces, are able to destroy any urban targets that they desire.

Now, the air defense capabilities of the United States were designed in the 1950's, prior to the establishment of the major missile capabilities of the Soviet Union. We continue to believe that air defense capabilities are important, but not in terms of the mission that was established for them in the 1950's, namely, defending urban centers against attacks by nuclear-armed bombers.

We believe that the air defense mission should be to maintain reasonable control of the airspace of the North American Continent so that any force that attempted to intrude, including reconnaissance forces, would be forced to pay a severe penalty.

What we are saying is the mission has changed and that our ability, through air defense, to protect the cities of the United States against nuclear attack from the Soviet Union no longer exists.

I hope I clarified that, Senator.

Senator YOUNG. How would you change our air capability?

I understand you think we wouldn't need as much or the same kind of defense, is that right?

Secretary SCHLESINGER. We are suggesting some overall adjustments in our air defense posture, but the main point I have just made is that the mission has been changed. What we would do would be to deploy these air defense units in areas that we think may be penetrated so as to extract attrition in the event of such penetration, rather

than for what may be the unobtainable goal of protecting American cities against deliberate nuclear attack by the Soviet Union.

U.S. AIR DEFENSE CAPABILITIES ADJUSTMENT

I will submit for the record a more precise discussion of how the adjustment of the U.S. air defense capabilities would relate to the changed mission and we will send a copy of that to you, Senator Young, for your review.

[The information follows:]

Surveillance and peacetime control of U.S. airspace requires that we maintain area-type interceptor coverage plus a high quality surveillance capability. Point defenses around urban areas contribute very little to the surveillance and control mission. Accordingly, all strategic Nike Hercules batteries (located around nine urban areas to provide point defense against bomber attack) are being phased-out; our interceptor force is being realigned and reduced; and our surveillance network is being enhanced.

Depending on operational factors, i.e., alert rate, interceptor speed, and reaction time, between 12–18 interceptor squadrons deployed at alert sites around the CONUS perimeter are adequate for the airspace control mission. Thus, we find we can reduce our interceptor force by 8–14 squadrons. Current plans are to retain six active F–106 squadrons, six Air National Guard (ANG) F–106 squadrons (two F–106 squadrons are to be added to the ANG), six ANG F–101 squadrons, and two ANG F–102 squadrons (one in Hawaii) through the end of fiscal year 1975. Our fiscal year 1976 planning includes phase-out of the remaining F–102s and review of the need for the F–101 squadrons.

To improve our surveillance capability we have been working for a number of years with the Federal Aviation Administration to consolidate military and civilian radars in CONUS into a common, jointly operated surveillance system to serve both military and civilian needs. Presently nine joint-use surveillance radars are in operation. In the late 1970s, joint-use radars located around the U.S. perimeter will replace all military surveillance radars in CONUS. DOD would fund that portion of the system unique to military operations, e.g., height finders to be collected with the surveillance radars to permit intercept of possible intruders. Also a revised command and control system tailored to the revised air defense structure and mission is now under development by the Air Force. These actions should both increase our efficiency and enhance our surveillance capability.

To further enhance our surveillance capability in the 1980s, we are continuing work on the development of the Over-the-Horizon Backscatter (OTH-B) radar. This radar promises to enable us to extend our surveillance capability out to over 1500 n.m. Current plans call for construction and testing of a prototype radar in the Northeastern U.S. If this prototype and our northern OTH experiments prove to be successful, four such radars—one each on the East and West coasts and one each covering the southern and northern approaches—could be deployed to greatly improve our long range surveillance of approaches to North America.

TAC–AIR

Senator YOUNG. You would have fewer fighter squadrons?

squadrons, would you?

Secretary SCHLESINGER. Yes, sir. Our general purpose here would be to emphasize the dual capability of all U.S. TAC-AIR.

As you know, when we fly TAC-AIR overseas, take F–4's of TAC, they also play an air defense role.

We have very substantial assets in the TAC inventory in the United States and these assets would, if the need arose to protect U.S. airspace, be available for that purpose as well.

So what we have got to do is to bring about a closer integration of the assets available to TAC and the assets that have previously been designated for air defense of the continental United States.

Senator YOUNG. If we abandon the B–1 bomber, would you want to estimate how long the B–52's would be of service and how long we would want to keep them deployed?

Secretary SCHLESINGER. I think that the force would gradually decline and that until such time as we have resolved the issue of the numbers of strategic delivery vehicles permitted the United States and the Soviet Union under the Arms Limitation Agreements we should plan on keeping those forces strong.

The useful life of all B–52's, other than G and H models will have expired approximately the end of this decade. The "G's" and the "H's", 250 or so, will have a useful life into the 1980's.

COST OF PHOENIX MISSILE

Senator YOUNG. Mr. Warnke, I believe, wants to discontinue the F–14's and the Phoenix missile as well. How much money have we spent on the Phoenix missile?

Secretary SCHLESINGER. Mr. Currie tells me that it is roughly in the order of $1 billion. We will give a precise estimate in the documentation for the record.

[The information follows:]

COST OF THE PHOENIX MISSILE

Funds for RDT&E and procurement of the Phoenix missile through fiscal year 1974 are about $635 million.

SUPERIORITY OF PHOENIX MISSILE

Senator YOUNG. The Phoenix missile is very capable. Wouldn't it be superior to practically any missile of its kind?

Secretary SCHLESINGER. Yes, sir.

Senator YOUNG. I hear statements that the ABM missile site in my State costs $5 million. That was for all 12 of the proposed cites and the research and development.

What about the request for the $374 million for development of more modern ABM's?

Secretary SCHLESINGER. As you will recognize, Senator Young, we need to continue with the technologies in the ABM area. The chief constraint on the Soviet Union's deployment of ABM systems was their recognition of the fact that the technologies available to the United States were more advanced than the technologies available to the Soviet Union.

We will continue to need to explore those technologies in order to deter any breakout under the treaty which can come at any time. Unless we continue to explore these technologies there is the risk of the Soviets breaking out in a way that will give them a strategic edge. That is the main thrust, the point behind the R. & D. program in the ABM area.

It is far better for us to continue to spend limited sums in the hundreds of millions each year in order to preclude this kind of enhancement of the arms competition between the United States and the Soviet Union and also to preclude the expenditure of perhaps $60 or $70 billion on the deployment of a nationwide ABM system.

Senator YOUNG. If the forthcoming SALT talks would result in agreement whereby both countries, Russia and the United States, would be limited to one ABM site, are there any plans to abandon that one now?

I gather now from your statement you just made your doing more research and development to improve rather than to discontinue.

Secretary SCHLESINGER. That is correct, Senator. We would not abandon the site at Grand Forks.

Considerable funds have been invested in that site. A chief advantage of that site is the acquisition of knowledge in an area where we have very little knowledge, namely, the operational characteristics of ABM defense, how such an ABM defense should be integrated with the operations of the Offensive Forces. All of these require experimentation and the only facility that we have in the United States to do this kind of significant experimentation in the quest of knowledge is that site at Grand Forks.

So we would not plan to shut it down. We would plan to operate it in order to extract from it the information on operational ABM capabilities.

Senator YOUNG. Thank you, Mr. Chairman.

Chairman MCCLELLAN. Well, Mr. Secretary, I want to continue to go through this and give you every opportunity to comment upon the recommendations in the Warnke budget priorities report.

I can't cover every one of them, but I do suggest to you that following your testimony here you review your testimony regarding this report and to submit any additional comments that you feel should be supplied to the committee before we evaluate this report and the whole budget request for the military.

Secretary SCHLESINGER. Mr. Chairman, we have a critique of this report.

Chairman MCCLELLAN. What?

Secretary SCHLESINGER. A critique of this report which we can submit for the record.

Chairman MCCLELLAN. Very well. We will proceed.

I think you discussed the F–14 and AWACS?

Secretary SCHLESINGER. Yes, sir.

Chairman MCCLELLAN. Also I believe you discussed the SSN–688 nuclear attack submarine?

Secretary SCHLESINGER. Yes, sir.

Chairman MCCLELLAN. You feel all of these should proceed as now programed.

Secretary SCHLESINGER. Yes, sir, except possibly for the 688-class submarines as I indicated earlier.

Chairman MCCLELLAN. What about the suspension of new tank developments? Why do you think we need to proceed with new tank development?

Again, it is primarily for NATO, is it not?

Secretary SCHLESINGER. There are a number of issues here. There is a rather confused statement in the report—it deals both with procurement of M–60's and the development of the new tank, the XM–1.

We have discovered, Mr. Chairman, partly as a result of developments in the Middle East, that tank production in the United States had been allowed to fall to a dangerously low level, 360 a year. At the time that we began to draw down from our own stocks to send equipment to the Middle East, we had to take tanks away from our active duty force.

We are also aware that our Reserve Forces are still equipped with the M–48 gasoline engine, undergunned tanks. We have attempted to increase our tank production in such a way that we can have appropriate inventories and that we can equip our Reserve Forces with an adequate tank.

I do not believe with regard to the matter of tank inventory that anybody who reviews the U.S. program at the present time would be satisfied with it.

What we face is a threat of further drawdowns of modern tanks, which would mean that the modern tanks available to our Active and Reserve Forces would shrink in number. At the same time we would never be able to improve the quality of the tanks in our Reserve Forces. The unmodernized M–48, by the way, is a tank that most countries are reluctant to accept.

Chairman MCCLELLAN. You said here.

Secretary SCHLESINGER. But they are still in the Reserve components of the Army. We would like very much, and we have programs here to replace this inadequate equipment in the Reserves, and I think that is a high priority item with regard to the purchase of additional M–60's.

XM–1 MAIN BATTLE TANK PROGRAM

Now, the other part of the proposal, which is thrown in here is the elimination of the XM–1.

There are some new technologies involved in the XM–1, Mr. Chairman, and I would prefer to submit to this committee a classified paper on that tank program.

[The information follows:]

The objective of the XM–1 main battle tank program is to develop a new tank significantly better than present tanks in those characteristics which contribute most to combat effectiveness, yet sufficiently low in cost for acquisition, maintenance and operation to be affordable in the quantities needed to equip our first line armored forces in the eighties.

One of the most significant technology advancements to be incorporated in the XM–1 is a new type armor which promises greatly increased survivability, as compared to present tanks, [deleted]. We consider it important to continue the XM–1 development program to provide an option for the production of a new, more survivable main battle tank for the 1980's. The new tank development is intended primarily for our responsibility in NATO. However, it is designed for use also in other areas where its use in armored warfare may be required. We do not anticipate that tanks will become obsolete in the foreseeable future, but their role is changing toward more emphasis on their primary mission of offense (for which we foresee no effective substitute for tanks) and less emphasis on defensive missions where anti-tank missiles can substitute for tanks. Potential enemies in various parts of the world continue to modernize their forces with the major thrust of this modernization toward more armor and anti-armor capability. In order for the tank to perform its mission effectively in future conflicts, a major improvement in survivability is critically important. We expect to achieve this goal in our new tank development.

REDUCTION OF TANK PROGRAM

Secretary SCHLESINGER. I would not recommend that that tank program be eliminated.

But, certainly, I would come to the conclusion that to reduce total tank funding to an arbitrary limit of $100 million in fiscal 1975 is based upon no analysis whatsoever of the inventory and the requirements. It is just a way of arbitrarily reducing expenditures.

Chairman MCCLELLAN. I notice he says here: "Clearly some new tanks are needed."

He acknowledges that the inventory is low and that more tanks are needed.

But he says: "A massive procurement; that is, procuring in great numbers, and development of a supertank are hardly justified at present."

Is it anticipated it may be justified in the future or that any need for them has passed?

Secretary SCHLESINGER. I cannot fully comprehend the nature of the reasoning in that particular paragraph, Mr. Chairman. I would just point out that in the last 7 months we have drawn down our own tank inventories by something on the order of 600 tanks for the Israelis and that is a very substantial fraction of our modern tank inventory.

Chairman MCCLELLAN. Are you proposing here more than just replacement?

Secretary SCHLESINGER. Yes, sir. As I mentioned, we are still short of modern tanks for the Active Army, and the Reserve Forces have in their inventory the old gasoline engine M–48.

Chairman MCCLELLAN. It is outmoded now?

Secretary SCHLESINGER. Yes, it is outmoded.

Chairman MCCLELLAN. It is no longer a useful weapon?

Secretary SCHLESINGER. That is right. It is outgunned. It has a 90–mm gun aboard whereas modern tanks all have at least 105's.

Chairman MCCLELLAN. All right, stretch out procurement of the DD–963, procuring three ships instead of seven. Any further comment on that?

Secretary SCHLESINGER. Mr. Chairman, if I may go back to your previous question on tanks, that augments what I was saying to Senator Young about the differences in the attitude that the report takes toward the Reserves and the attitude that the Department of Defense takes.

The Department of Defense wants our Reserve structure to be an effective part of the total force structure. We are equipment short in the Reserves and it is partly for that equipment reason that the Reserves are not as effective as they might be.

The thing to do about that is to insure that the Reserves have the appropriate equipment, whatever the level of force structure.

The proposal made here would deny for the foreseeable future the appropriate equipment for the Army Reserve and National Guard in the tank area.

Chairman MCCLELLAN. You would have personnel without the weapons.

Secretary SCHLESINGER. We have the personnel without the proper weapons, and that is our problem.

Chairman McClellan. Do you want to say any more about this patrol frigate?

Secretary Schlesinger. Mr. Chairman, I just want to underscore the point that they make: This is an imaginative concept for a lower cost, less complex, antisubmarine warfare ship. They endorse the concept.

Associated with this, I believe, is the fact that the U.S. Navy is now at an historical low ebb; that is, if we keep postponing replacement of the ships that have been withdrawn from the Navy, that historical low ebb will continue.

I regard this proposal as once again not being based upon a careful review of the naval balance and of the requirement for the United States, as part of a worldwide association of commercial nations, to keep open the sealanes in the event of trouble.

Chairman McClellan. Mr. Secretary, there is a proposal that a $4 billion savings, or 8 percent, could be saved from a portion of the budget totaling some $48 billion through implementation of operating efficiencies.

Could you help us on that?

Secretary Schlesinger. I cannot. I hope that there are some things that can be done.

Chairman McClellan. It doesn't point out specifically here how it can be done, but if savings can be made by this method we certainly should.

Secretary Schlesinger. I agree, Mr. Chairman, and we would welcome anybody's help with regard to operating efficiencies. I think that we have made some significant changes in recent months with regard to obtaining more combat capability in relation to funding, and we are anxious to continue to work in that direction.

Anybody who could provide the answers we would be happy to listen to, anybody in the United States. There is one point that should be made. Sometimes people talk about operating efficiencies and they mean "drop the flying training missions, stop some operations altogether, reduce manpower, eliminate the cost of fuel for vessels or for aircraft." That is very easy to say, but one discovers that the combat capability of the force immediately begins to decline when those operations are eliminated or curtailed.

Training and operations are as important as equipment in order to have effective fighting forces.

A casual view that one can reduce operations and training is, once again, an arbitrary view and is not consistent with the real facts of maintaining a combat-ready force.

Chairman McClellan. Mr. Secretary, we can economize and make extensive savings, if we wished to substantially disarm or permit a deterioration of capabilities for protecting our national security.

We could make a lot of savings by this method. What we should be trying to do, however, and I know this committee and the Congress is trying to do this and I am confident you feel about it the same way, is to make every economy possible without decreasing our necessary defense capability.

Secretary Schlesinger. Yes, sir.

Chairman McClellan. I think you have a long-distance call. Would you like a minute's recess for that purpose?

Secretary Schlesinger. Yes, sir.

Chairman McCLELLAN. Very well.

[A short recess was taken.]

Chairman McCLELLAN. The hearing will come to order.

While we are on this point about operating efficiencies, look in the third paragraph on page 19. The report says:

> We recommend that 15 percent of all support personnel be cut, excluding the billets eliminated in the section of this report covering general purpose forces, the next reduction would be about 175,000.

You covered that, haven't you?

That would make it around a 300,000 reduction in armed strength?

Secretary SCHLESINGER. Yes, sir.

Chairman McCLELLAN. That would be from our present armed strength?

Secretary SCHLESINGER. From 2.1 million.

Chairman McCLELLAN. From 2.1 million, it would leave us 1.8 million Armed Forces?

Secretary SCHLESINGER. Yes, sir.

Chairman McCLELLAN. That is all services?

Secretary SCHLESINGER. That would be almost down to the level of the post World War II demobilization, Mr. Chairman, about 1.4 million men, as I recall it in 1948.

Chairman McCLELLAN. Mr. Secretary, we have a conference with the White House on various bills and on a continuing resolution at 4:15, so I am going to ask you about only one other matter.

Then, I am going to have the staff examine this critique report on the "Military Policy and Budget priorities" of April 17 which you handed to us a moment ago.

I would like it to be examined and it may well be we would like to call you back for a few more questions.

We have not covered everything that we should have covered however, included in the critique is possibly the information we desired. But while you are here, I would like now to turn back to the report on page 21 and we might take these three items and let you answer all of them.

"Reduce the civilian bureaucracy" and under that title the Warnke report states:

> The administration has requested 1,128,000 direct hire civilian positions. That is 1975. This figure represents an increase of 18,000 over the level approved by Congress last year.

Now, turning to the next page in the fourth paragraph the report says: "We recommend a 15-percent cut in the civilian personnel slots requested for 1975."

The report goes on to say: "About $2 billion in payroll and attendant operation and maintenance costs can be saved if that is done."

Then in the next paragraph the report says: "The administration has requested an additional 24,000 jobs in the fiscal 1974 supplemental and the fiscal 1975 budget to improve combat readiness and so forth."

Now, I wish you would discuss these charges and advise us whether these figures are accurate and, if not, what are the accurate figures and why such increases?

Secretary SCHLESINGER. Mr. McClary will comment in a moment, Mr. Chairman.

Let me say that the increase in civilian personnel reflects the civilianization of some jobs that previously were held by military personnel.

Chairman McCLELLAN. Are you saying that when you reduce the military personnel by demobilization, we actually achieve no saving because civilians are hired to replace them?

Secretary SCHLESINGER. In part, that is correct, Mr. Chairman.

If you are going to get the job done, it will be done by uniformed personnel or Civil Service personnel.

KP CIVILIANIZATION PROGRAM

Chairman McCLELLAN. Of course, we increased the number of civilian personnel by providing civilian KP's, didn't we?

Secretary SCHLESINGER. We can provide a number for the record, Mr. Chairman.

Chairman McCLELLAN. I wish you would.

[The information follows:]

The KP civilianization program, undertaken in the interest of improved troop morale and in support of the All-Volunteer Force, has contributed little to Direct Hire civilian strengths; the bulk of our civilian KP workers are contract employees. We estimate that about 5,300 direct hire employees will be on the rolls in FY 1975 in this function—this represents no change from FY 1974. It is important to recognize that these people represent a net increment to the workforce, as they replace troops who perform KP on a part-time basis; that is, they are detailed away from their primary function, principally training.

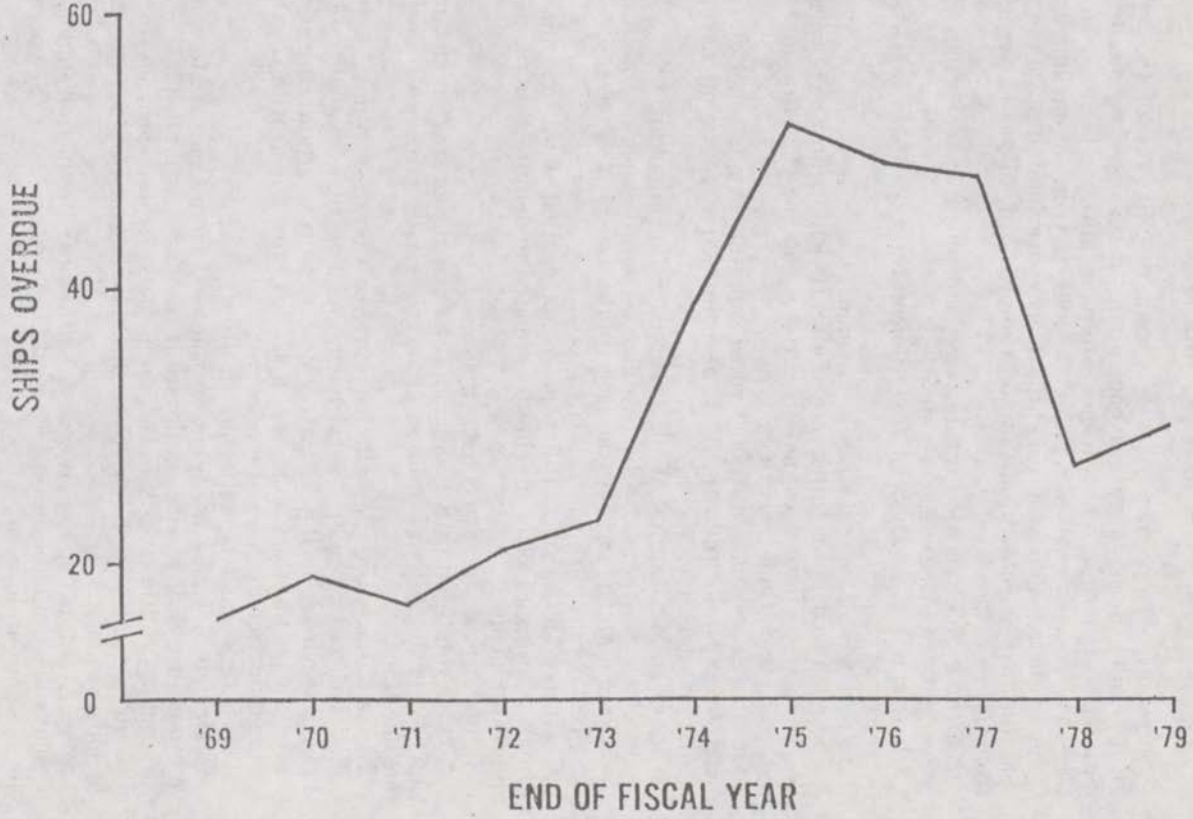
The civilianization program we are currently running, FY 1973–1975, shows a different picture. At Base "x", if we civilianize 100 jobs, then the military strength at that base is cut by 100 and the civilian strength is increased by up to 100 (not all of these jobs become direct hire; some are indirect hire and a few are contracted). On a worldwide basis, though, we cut the military end strength by about 120, the additional 20 representing the military personnel support "tail" (principally trainees and transients) associated with a working strength of 100. Thus, for the period FY 1973–1975, we will have reduced military strengths by 47,862 and increased direct hire civilian strengths by 39,044 through civilianization, with substantial dollar savings.

SHIP OVERHAUL

Secretary SCHLESINGER. Now, Mr. Chairman, let me deal with the last point they raised, which was the 24,000 jobs for reducing backlogs and depot maintenance and ship overhaul. Would you put on that chart, please.

[The chart follows:]

NAVAL SHIPS OVERDUE FOR OVERHAUL



BACKLOG IN SHIP REPAIR

Secretary SCHLESINGER. Now this chart displays one of those programs which must be judged once again in terms of its merits for national security. In our readiness supplemental, we emphasized the fact that we have reached a point, the highest point in our history in terms of the backlog of naval ships due for overhaul, despite the fact that the fleet is something now on the order of 45 percent reduced from the fiscal 1968 level.

Chairman MCCLELLAN. I mean, are these jobs in naval yards?

Secretary SCHLESINGER. Yes, sir.

Chairman MCCLELLAN. In Government Navy yards primarily for the repair of ships?

Secretary SCHLESINGER. Yes, sir, primarily.

There is also depot maintenance of aircraft which must be reworked. We have aircraft that cannot fly. And we argue that this must be judged on its national security merits.

Once again, we have a canard which suggests this is being done in order to expand employment. It is being done for good national security reasons.

Chairman MCCLELLAN. Well, it does increase employment?

Secretary SCHLESINGER. It does increase employment.

Chairman MCCLELLAN. It increases to the extent of 24,000?

Secretary SCHLESINGER. Yes, sir.

Chairman MCCLELLAN. But you are stating that it was not done to stimulate a sagging economy, but it is related to definite military needs and requirements?

Secretary SCHLESINGER. That is true.

Now, beyond that, Mr. Chairman, we must recognize that the question of overall civilian employment and the civil service is a very delicate question.

I have indicated in the past that were the Congress to provide flexibility with regard to civil service employment, that we could reduce the civil service rolls, but I have not detected any overpowering eagerness on the part of the Congress as a whole to provide us with the tools for the reduction of the civil service rolls.

This is very sensitive matter politically.

Chairman MCCLELLAN. What do you need from Congress to enable you to reduce civil service employees if they are not needed?

Secretary SCHLESINGER. What we need is greater efficiency in the civil service and the ability to weed out inefficient employees so that the job gets done.

Simply to apply a 15-percent across-the-board reduction under the present rules would mean that we would have to eliminate the younger more junior employees.

Chairman MCCLELLAN. You wouldn't be able to be selective and weed out the inefficient?

Secretary SCHLESINGER. No, and that would be highly inefficient.

Chairman MCCLELLAN. A reduction in appropriations to compel such a cut means that you couldn't be selective in whom you would cut?

Secretary SCHLESINGER. That is right, and we would not make the savings specified here because we would be reducing junior people rather than senior people.

So if there is a desire to make savings, I think that there are savings that are obtainable but that will require the provision of flexibility with regard to the civil service, and that, as the Members of the Congress know far better than I, is an area that is very sensitive.

Chairman McCLELLAN. I see one or two other items in this report, the Trident submarine and also the B–1 bomber.

Secretary SCHLESINGER. The B–1 bomber is a subject we have not commented on at length. But with the constraints that exist with regard to numbers in our strategic forces, I believe that we will want to insure that however those numbers are limited, we have high quality capabilities in the numbers of strategic delivery vehicles permitted under the agreement.

The notion of eliminating the B–1 bomber strikes me as quite inconsistent with the notion of maintaining a strategic balance between ourselves and the Soviet Union and of maintaining adequate deterrents.

A bomber force, by complicating potential attack by an opponent, following up what I said to Senator Brooke, enhances the deterrent by making such an attack increasingly less attractive and by reducing whatever hypothetical premium there is on a first strike.

BINARY NERVE GAS WEAPON PROCUREMENT

Chairman McCLELLAN. Mr. Secretary, I received a letter dated June 21 from Senator Edward M. Kennedy, which is cosigned by 12 other Senators, recommending strongly against the approval of the $5.8 million requested by the Army for the initiation of procurement of the binary nerve gas weapon, as well as disapproval of any other funding which may have been requested for support of this production.

I submit to you a copy of this letter and ask you to review it and submit your views on its contents for the record.

CORRESPONDENCE AND QUESTIONS AND ANSWERS

We will insert the letter in the record and in addition I would like to have you respond to a series of six questions I now submit to you which will be printed in the record.

[The letter and questions and answers follow:]

LETTER FROM SENATOR EDWARD M. KENNEDY

United States Senate

WASHINGTON, D.C. 20510

June 21, 1974

The Honorable John L. McClellan
Chairman, Appropriations Committee
United States Senate
Washington, DC

Dear Mr. Chairman:

We are deeply concerned over the implications of the Department of Defense's appropriations request for production of binary nerve gas weapons. The House of Representatives and the Senate both have passed legislation reinforcing the Armed Services Committees' decision to cut $1.9 million from advanced research for the binary program. Also, the House Committee on Foreign Affairs recently completed extensive hearings which raised a number of serious concerns about the binary program. Therefore, appropriating funds to begin actual production of binary munitions deserves all the more scrutiny.

It is our belief that such appropriations should not be approved for the following basic reasons: First, this country already has enormous quantities of nerve gas. The U.S. Army stockpiles now contain an estimated 400 million pounds of nerve gas, amounting to 25 trillion doses --- enough to kill the entire world population 300 times over, according to expert testimony. Second, nerve gas weapons are of doubtful value as a deterrent to attack.

The primary argument supporting the use of lethal chemical weapons is that other nations will be deterred from initiating a nerve gas attack against the U.S. because of our ability to retaliate. However, this argument was developed and nerve gas stockpiles begun, before this nation, and other nations, had developed the enormous nuclear capability which now exists in the world. Furthermore, serious questions were raised in recent House hearings --- as to whether the threat of retaliation with nerve gas weapons constitutes a valid deterrent. During those public hearings, the representatives of the Department of Defense stated that the Soviet Union is believed to have a nerve gas defensive capability superior to that of the United States. It appears doubtful that the United States has the defensive capability to fight and operate in a nerve gas environment. Therefore, it appears that we essentially rely on our nuclear capability as a response to a massive nerve gas surprise attack and as a deterrent against such an attack.

We make this point not because we desire to support a policy of immediate escalation to nuclear warfare but because

these facts reveal an inherent fallacy in national security policy which procurement of binary nerve gas weapons will not alleviate. If the Congress grants the funds to build binary munitions, it would be advancing nerve gas weapons which have already cost this nation several hundreds of millions of dollars without any evidence that they contribute anything to the security of the United States. Authorizing their transference into a "binary" mode would likely delay the destruction of nerve gas stocks. The only justification for this proposal is that the binary munition will be safer to manufacture and handle in storage and transporation. In the absence of any real evidence of the value of any nerve gas weapon to the security of this nation and our historic abhorrence of such weapons, this argument for safety in handling seems to us to be a poor justification for production.

Third, we are concerned about the possible affect of such weapons on treaty negotiations in Geneva and the risk of international proliferation of nerve gas warfare capabilities. The relatively great reduction in the hazard of manufacturing a nerve agent munition provided by the binary concept may be the very incentive to encourage smaller nations to add this weapon to their arsenal. We would seek instead to take every measure to prevent the proliferation of nerve gas weapons and not encourage such developments by our example.

We do not believe that the Department of Defense has examined thoroughly the total impact on current international negotiations of the proposed production of the binary nerve gas weapon. Moreover, the public record suggests that a serious disagreement exists between the Department of Defense and the Department of State with regard to the binary nerve gas weapon proposal. Indeed, the Administration has not decided to use the production funds this year, so there is no sense in authorizing those funds until that decision has been thoroughly reviewed.

Certainly, we are convinced this nation needs to maintain and improve its chemical warfare defensive capability. A strong and effective defense has more immediate and obvious advantages than developing an ability to respond in kind to a surprise nerve gas attack. However, the vast stockpiles of lethal nerve gas weapons we now possess, their doubtful military effectiveness, the possibility of encouraging proliferation, and the threat to international arms control agreements are sufficient reasons, we believe, to withhold the production of new binary nerve gas weapons.

Accordingly, we recommend strongly against the approval of the $5.8 million requested by the Department of the Army for the initiation of procurement of the binary nerve gas weapon, as well as disapproval of any other funding

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which may have been requested for the support of this production.

Sincerely,

Edward M. Kennedy

Walter F. Mondale

Adlai E. Stevenson, III

Hubert H. Humphrey

Edmund S. Muskie

William Proxmire

Gaylord Nelson

James Abourezk

Mike Mansfield

Thomas F. Eagleton

Floyd K. Haskell

Lowell P. Weicker, Jr.

Lee Metcalf

[The following contains the general views of the Secretary of Defense regarding U.S. policy on chemical warfare.]

DEPARTMENT OF DEFENSE REPONSE

The general views of the Defense Department are contained in testimony given by Amos Jordan, Acting Assistant Secretary for International Security Affairs, before the Subcommittee on National Security Policy and Scientific Developments of the Committee on Foreign Affairs of the House of Representatives on May 9, 1974. Pertinent portions of that testimony are provided below:

UNITED STATES POLICY

Turning now to a brief review of U.S. policy, in 1969 the President set forth the U.S. policy on chemical warfare as well as renounced all methods of biological warfare. He reaffirmed the long standing commitment that the U.S. would never be the first to use lethal chemical weapons and extended this policy of "no first use" to include incapacitating chemical agents as well. I should note that, like nuclear weapons, chemical weapons cannot be employed without expressed authorization by the President. We retain a chemical warfare capability designed to deter anyone from using these weapons against us or our allies. Historically, the use of chemical weapons in war has essentially been restrained by the threat of retaliation in kind. We believe that such a capability for retaliation continues to serve as a deterrent to such use today.

This policy has not been developed in a vacuum, but as a carefully conceived response to the potential threat of a chemical attack against U.S. forces or those of our allies.

The Soviet Union and the Warsaw Pact represent a serious potential threat to U.S. forces in Europe and elsewhere. We believe the USSR is better prepared to operate offensively and defensively in a chemical warfare environment than any other nation in the world. They consider chemical weapons to be tactical weapons and subject to the same type of controls as nuclear weapons; their military doctrine views chemical munitions as an integral part of the USSR's overall capability. They maintain active research and development programs on offensive and defensive aspects of CW. We believe that they have developed, standardized and stockpiled

highly toxic chemical agents for dissemination by tactical missiles, aircraft, and ground systems such as rockets and artillery. The Soviet Union is of course technically capable of producing all known toxic agents in militarily significant quantities sufficient to support full-scale operations. Pact major military exercises routinely include practice in a simulated toxic environment (chemical-biological-radiological) and training of chemical forces includes toxic agent exercises. Soviet forces are well-equipped and trained to operate in a toxic environment, either of their own creation or if used against them. The U.S. intelligence community agrees that this threat is real.

I might add here parenthetically that during the October 1973 war in the MidEast, it became clear that the USSR had provided the Arabs with CW defensive equipment. Of course, no chemical weapons were used during the conflict. It is significant that a substantial quantity of passive chemical defensive equipment was provided. The captured materiel shows us that new Soviet combat vehicles have pressurized crew compartments and sealed ports for crew firing. I should stress, however, that there were no indications at all that the USSR provided her MidEast allies with any offensive chemical capability. However, both Israel and Egypt have the technical capability to produce chemical weapons.

CHEMICAL WEAPONS RATIONALE

Since World War I, highly toxic chemicals have been used only against nations that did not possess a capability to retaliate in kind and adequate defensive equipment and training. It is generally concluded that a U.S. capability to retaliate in kind and in full measure, including defensive measures and equipment, was a primary reason why chemical weapons were not used against U.S. forces in WW II. There are some who question this statement on the basis that there is no conclusive evidence. The same question may, of course, be asked as to any issue of deterrence.

The rationale for maintaining a U.S. chemical weapons capability is based primarily upon the possibility of the Soviet Union initiating the use

of chemical weapons in a conventional war against the U.S. and its allies. The initiator of chemical warfare in a conventional war could gain a significant tactical advantage against the defender if the defender does not have the ability to protect himself and to retaliate in kind or the capability to redress the situation by using nuclear weapons. Even if protective equipment is available and used by the defender, he may still suffer a serious disadvantage in casualties and tactical mobility since his forces would be encumbered by the necessary protective equipment, unless he could subject the attacker to similar severe operational constraints attendant to warfare in a toxic environment. Only a chemical warfare retaliatory option provides this capability. Chemical weapons would be targeted against military forces, to produce direct casualties, channelize movement, restrict the use of terrain, interdict lines of communication and disrupt logistical activities.

Tactical nuclear weapons may not be a credible deterrent to chemical warfare. If chemical weapons were used against U.S. or allied forces on a significant scale in a conventional war and the U.S. and allied forces lacked any ability to retaliate effectively in kind, an attempt to redress the situation would probably require the use of tactical nuclear weapons. Abandonment of a retaliatory chemical deterrent, therefore, must accept the possible risk of lowering the nuclear threshold.

A capability to respond in kind, with chemical weapons would not necessarily rule out an ultimate need to move to tactical nuclear weapons but it would provide a non-nuclear option to redress an adverse military situation created by enemy use of chemical weapons in a conventional warfare environment. This ability, we believe, will deter the use of chemical weapons in conventional warfare. Therefore, any determination to use tactical nuclear weapons could be made on the basis of its own merits in light of the overall conflict situation.

JUSTIFICATION OF CHEMICAL WEAPONS STOCKPILE

Since an ability to promptly and effectively employ our weapons, coupled with the will to launch a retaliatory response, is essential to deterrence, the maintenance of an adequate, appropriate stockpile is essential. An

adequate CW retaliatory and defensive capability can limit any expectation by an opponent that a significant military advantage might be achieved by using chemical weapons in a conventional conflict. An adequate stockpile that allows timely response reduces to the minimum any tactical advantages to be gained through the initiation of chemical weapons and thus, contributes to deterrence.

The quantity of munitions required for an adequate stockpile is based on the requirements stated by the commanders of the unified and specified commands. The CINCs derive their requirements from applying guidance from the Joint Chiefs of Staff to the particular circumstances in the area of their responsibility. Their guidance requires the CINCs to prepare contingency plans for the use of chemical weapons when authorized by the President in retaliation to enemy use. The requirements to support these contingency plans are submitted annually and are the basis for judging the adequacy of our stockpile.

Our current stockpile of munitions is limited, and does not fully provide the capability we believe is necessary to adequately support all U.S. forces in case chemical warfare is used against us. The composition of our present stockpile does not fully meet our requirements.

MODERNIZATION

To fully provide such a capability, binary munitions are being planned as a means to modernize a portion of our chemical warfare deterrent/retaliatory capability. These weapons are designed to utilize two relatively harmless chemicals which, upon initiation of an event such as the firing of an artillery shell, combine during the flight of the weapon to produce a nerve agent for dissemination upon impact. It provides significant operational and safety advantages over any other known approach which could have been selected for modernization. Operationally, a binary weapon would be shipped and stored in a "fail-safe" mode, by physically separating the two components. This capability would make possible the safe storage and handling of rounds aboard warships such as aircraft carriers, on transports during any shipments to a theater of operations, and in depots in CONUS or overseas. Additionally,

because the binary components are relatively harmless, the requirement for high-cost toxic production and transportation facilities would be eliminated. At the same time, simplified low-cost demilitarization procedures could be utilized. The agents produced by the binary reaction would be the same as those in our current chemical weapons stockpile. We deal with a new manufacturing, storage, and transportation process not a new agent or new delivery means. Secondly, the binary munitions are designed to assure a target effectiveness equal to the non-binary rounds which will be replaced. This design compensates for the fact that the chemical reaction between the two binary intermediate compounds will yield less than 100 percent of the lethal agent on target.

Introduction of binary weapons into the U.S. deterrent/retaliatory arsenal has been in planning for practical reasons, to modernize our capability. No claim has been or is being made that binary weapons are more effective on the battlefield than non-binary systems -- rather, it is a fact that in the process of modernization we have elected an approach which will resolve many operational, safety and administrative problems previously associated with chemical weaponry.

The use in a chemical warfare environment of binary weapons would be no different than the use of non-binary weapons since both employ the same nerve agent to produce the same battlefield effect.

Notwithstanding assertions to the contrary, we do not believe the procurement of binary munitions will increase the access of small nations or dissident groups to the technology necessary to produce a nerve agent. Both nerve agent and binary technology have been reported in the open literature since the early 1950s. Accordingly, any nation or group having competent organophosphorus chemists could have prepared compounds analogous to the nerve agents, including the binary components. As a matter of fact, actual binary munitions, in contrast to nerve agent precursors, would be far more difficult to manufacture than present chemical munitions.

Before I leave the subject of binaries, I should point out that these weapons are still in development and no Administration production decision

has yet been made beyond Department of Defense advance planning for the loading, assembling, and packaging facility. Further, the Department has made no determination that open air testing of the complete binary round will be required to prove military effectiveness. To date, testing has been conducted using harmless materials simulating the binary process which, combined with closed chamber and laboratory experiments, may well demonstrate the necessary degree of confidence of weapon effectiveness.

ARMS CONTROL

The Administration remains fully committed to achieving effective international restraints on chemical weapons. The U.S. formally undertook this obligation in 1972, in signing the Biological Weapons Convention that was negotiated at the Conference of the Committee on Disarmament in Geneva. The Biological Weapons Convention was transmitted to the Senate in 1972 for its advice and consent to ratification.

In 1972, at the CCD, the Soviet Union tabled a draft chemical warfare convention -- a comprehensive chemical prohibition. However, the Soviet draft does not contain adequate verification provisions. As you are aware, the adequacy of verification is a very important consideration not only in negotiation of arms control and disarmament agreements, but also in building the confidence in compliance that is essential to such an agreement being more than a piece of paper. The problem of adequate verification for possible chemical weapons limitations has not yet been resolved. This Government is continuing its efforts to find such a solution.

The verification provisions of the Biological Weapons Convention would be inadequate for a chemical weapons limitation agreement. At the time this Convention was negotiated, the U.S. had unilaterally renounced the use of and the capability to use biological weapons in any form, and was in the process of destroying its biological weapons when the treaty was negotiated. Reliable verification of other countries' actions regarding BW was deemed not possible, but verification procedures were not an important consideration in this case, because of our unilateral renunciation. Unlike biologicals, chemical weapons are of military significance, have been used in this century, and could offer the initiator a significant tactical advantage. We therefore

believe any chemical weapons limitations should have more effective verification provisions.

CHEMICAL WARFARE REVIEWS

In addition to the President's decisions of November 25, 1969, reaffirming the renunciation of the first use of lethal and incapacitating chemical weapons and all uses of biological warfare, the President directed an annual review of all activities in this area. The NSC Under Secretaries Committee, an interagency group, has conducted these reviews of all aspects of our chemical warfare, biological research, herbicide and riot control agent programs. Additionally, in compliance with Public Law 91-121, the Department of Defense has provided to the Congress semiannual detailed reports of the research and development programs and of procurement obligations each year since enactment of the legislation. The most recent report to the Congress covered the period 1 July to 31 December 1973. To insure that these reports are available for public scrutiny, the last two have been completely unclassified.

With specific regard to the June 21 letter, there are several statements which require clarification and amplification.

The first paragraph implies that the funds requested for FY 1975 will provide for the initiation of "actual production of binary munitions". That is not the case. The budget request will provide for the procurement and installation of the equipment in the facility planned to produce, load, assemble and pack a 155mm binary projectile. It will not provide authority to initiate production of the munitions; this will be requested of Congress when a production decision is made. These funds are being requested at this time since long lead time items of equipment must be placed on order in the event of a production decision. Actual expenditure will depend upon that decision.

The second paragraph states that this country already has enormous quantities of nerve gas. The U.S. Army stockpiles now contain an estimated 400 million pounds of nerve gas..."enough to kill the entire world population 300 times over..." This is a gross overstatement; our stockpile of nerve agent is only a fraction of that amount. (deleted)

To place this matter in proper perspective, one ton of nerve agent GB, would produce 50% casualties among military personnel uniformly dispersed over an area of about one square mile. Chemical weapons are not considered by the Department of Defense to be strategic weapons; they are tactical weapons to be targeted against military forces, to produce direct casualties, channelize movement, restrict the use of terrain, interdict lines of communication, and disrupt logistical facilities.

Although this issue of chemical warfare provokes very divergent opinions, we feel it is necessary to continue our present programs to support the current national policy of maintaining a deterrent/retaliatory capability. This area is under continuous scrutiny, however, and a very comprehensive review on the question of binary production is currently underway. The results of this review should become available in the near future. We would hope that the Senate would not move contrary to the Department's proposed budget in this area until it has the benefit of the results of our comprehensive interagency review.

With respect to the six questions, the Defense Department's answers are as follows:

BUDGET REQUEST

Chairman McCLELLAN. What is included in the Fiscal Year 1975 budget for this program? What is the anticipated total production cost of these weapons?

Senator SCHLESINGER. There is a $5.8 million item in the 1975 budget included in Activity 2, Procurement of Ammunition, Army. This amount will provide for the procurement and installation of equipment in a facility at Pine Bluff Arsenal, Arkansas, to produce, load, assemble, and pack the 155mm binary projectile XM687. It will not provide authority for production of the 155mm binary munition; this will be requested of the Congress only when a production decision is made. The facility is being requested at this time since long lead time items of equipment must be placed on order in the event of a production decision.

The anticipated total production cost of this 155mm binary projectile is [deleted].

Chairman McCLELLAN. What has been expended to date in Research and Development? Has Research and Development been completed or is it anticipated additional funds will be required?

Secretary SCHLESINGER. The Research, Development, Test and Evaluation of the 155 mm binary GB projectile has required the expenditure of $7.2 million through FY 1974. Included in the FY 1975 budget is $0.8 million which will complete the RDT&E on this item.

Chairman McCLELLAN. Has a decision been reached by the Administration as to whether the production funds requested in the FY 1975 budget will be used? Is there agreement between your Department and the Department of State with regard to the production of the binary nerve gas weapons?

Secretary SCHLESINGER. The administration has requested the funds in FY 1975 to provide the initial production facility at Pine Bluff Arsenal, to procure the long lead time items in the event of a later production decision. This is requred if an orderly program of modernization of the deterrent stockpile is to be followed. As mentioned previously the question of binary production is undergoing comprehensive interagency review.

NERVE GAS DEFENSE CAPABILITIES

Chairman McCLELLAN. Describe the relative nerve gas defensive capability of the Soviet Union to that of the United States. Do you believe the U.S. has the Defensive capability to maintain combat operations in a nerve gas environment?

Secretary SCHLESINGER. The Soviet Union is believed to be better prepared to operate in a toxic environment than any other nation in the world. It maintains active research and development programs in defensive equipment for chemical warfare. Evidence of extensive issues to combat forces of protective systems, alarms, medical kits—plus extensive decontamination equipment, realistic operational training, and civil defense training—support the conclusion that Soviet capability to operate in a toxic environment exceeds that of the U.S. and our NATO allies.

The present U.S. capability to operate in a toxic environment is limited at best. Qualitatively, the U.S. defensive equipment which has been fielded is considered equal in capability to that of the Soviets. Quantitatively the U.S. lags the Soviets in several areas. [Deleted.] Additional procurement of the developed defensive equipment, completion of R&D and procurement of some items now in progress, and improved troop training would enhance our capabilities to operate in a toxic environment. We should point out that most of our RDT&E funds have been directed toward defensive equipment in recent years, and there has been no procurement of lethal chemical munitions, only defensive equipment.

ADVANTAGES OF GAS WEAPONS

Chairman McCLELLAN. Exactly what advantage will the binary nerve gas weapons provide us over our current stockpile of nerve gas? Is it your opinion that the production of these weapons will contribute to the security of the United States.

Secretary SCHLESINGER. Binary munitions are being planned as a means to modernize a portion of our CW warfare deterrent/retaliatory capability, [deleted]. These munitions are designed to utilize two relatively harmless chemicals which, upon initiation of an event such as the firing of an artillery shell,

combine during the flight of the munition to produce the same nerve agent as presently stockpiled for dispersion over or on the target. This provides significant operational and safety advantages over any other known approach which could be selected for modernization. Operationally, a binary munition will be shipped and stored in a "fail-safe" mode, by physically separating the two non-lethal components. This capability makes possible the safe storage and handling of munitions aboard warships, during transport to a theatre of operations, and in depots of CONUS or overseas. Additionally, because the binary components are relatively harmless, the requirement for high cost toxic production and transportation facilities is minimized. Moreover, simplified, low-cost demilitarization procedures could be utilized in the event of disposal.

The question of how the production of binary munitions will contribute to the security of the United States is explained in Mr. Jordan's statement quoted above, and this question is being considered again in the interagency review mentioned earlier.

Chairman McClellan. Describe the possible effects on current treaty negotiations if the United States initiates production of the binary nerve gas weapons.

Secretary Schlesinger. As recently reaffirmed in the summit communique, the Administration remains fully committed to achieving effective international restraints on chemical weapons. The possible effects of initiating binary production on arms control discussions are being thoroughly addressed in the aforementioned Administration review of our CW posture.

MINUTEMAN

Chairman McClellan. Senator Brooke.

Senator Brooke. Thank you, Mr. Chairman.

Mr. Secretary, in discussions on the options on the Minuteman, I think too little attention has been given to the rationale and implications of your request for increased accuracy and yield capabilities. I would like to pose several questions in this regard.

Senator Brooke. First, why do you believe it necessary to have both increased accuracy and increased yield for the Minuteman?

Secretary Schlesinger. I think that option should be there, Senator Brooke, because at the present time, the options available to us in warheads for the Minuteman are quite restrictive. I will submit a classified statement for the record in relation to those specific yields.

[The information is classified and has been furnished separately to the committee.]

Secretary Schlesinger. We do not know, in relation to the implementation of a selective response, whether we would want larger yields or smaller yields. I believe that in many circumstances we would prefer to have smaller yields associated with that hoped-for higher degree of accuracy, so as to reduce potential for collateral damage. But the option of larger yields should also be available in my judgment.

As you know, since 1966, we have frozen the force structure, and since approximately 1956, we have been in the process of reducing the yields available in the strategic force. This new proposal would give us a wider range of options. At the present time, our options are exceedingly restricted.

Senator Brooke. Well, it would appear to me that the marriage of the two capabilities would only make sense if one is going after an effective and efficient capability against hardened targets such as the missile silos.

Secretary Schlesinger. There are two aspects to that question. Quite obviously, the accuracy of a particular strategic missile weapon system in an operational context will never be precisely known, we hope.

We have never flown strategic missiles from operational sites to operational targets. What we do know is that there will be some degradation of accuracy in such a contingency as compared to the accuracies attained at the test ranges. But we do not know whether that degradation will be a 20th of a nautical mile, a 10th of a nautical mile or two-tenths of a nautical mile.

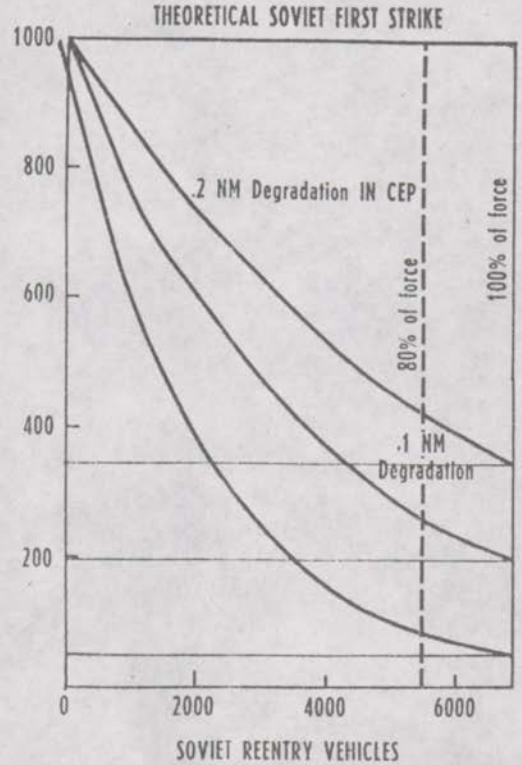
COUNTERSILO CAPABILITIES

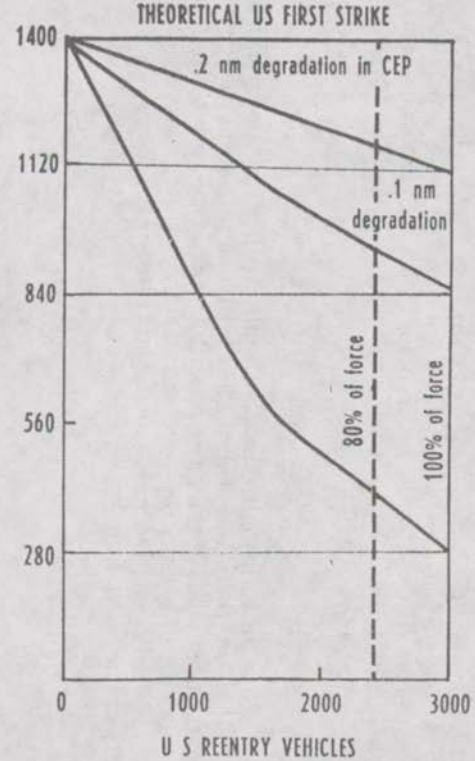
Now, in addition to that, both sides will be knowledgeable about the yields of their warheads. They will not be as knowledgeable about the accuracies of the warheads, which raises a question about the maintenance of balance between the two sets of strategic forces.

Would you give me the next chart please?

[The chart follows:]

HYPOTHETICAL RECIPROCAL COUNTERSILO CAPABILITIES: SOVIET UNION & US ICBMs





DEGRADATION

Secretary SCHLESINGER. This is the chart I believe we previously discussed, certainly with the Subcommittee on Arms Control, International Law and Organization of the Foreign Relations Committee, but I think I have shown you this chart, Senator Brooke, in our discussion at breakfast one morning.

The effect of any degradation in accuracy is that, the side with the larger yield warhead will be seen to have a threat capability not available to the side with the lower yield warheads.

Let me have the next chart.

[The chart follows:]

PRINCIPLES AFFECTING THROWWEIGHT vs. ACCURACY TRADEOFF CALCULATIONS

1. NO NATION WILL EVER KNOW PROSPECTIVE ACCURACY UNDER OPERATING CONDITIONS AGAINST REAL WORLD TARGET SYSTEM

2. EACH NATION WILL KNOW ITS OWN THROWWEIGHT

3. THROWWEIGHT CAN COMPENSATE IN LIMITED BUT ADEQUATE DEGREE FOR ACCURACY DEGRADATION TO BE EXPECTED IN REAL WORLD EXCHANGE

- Possible Inference: U S cannot tolerate in the long run a 6:1 disproportion in throwweight vis-a-vis Soviets.

- Throwweight disparities would lead to an asymmetry in the degree of confidence in reciprocal counterforce capabilities - Both in physical terms and in the perception of the power-political relationships.

Secretary SCHLESINGER. The consequence is that if the Soviets were to proceed with the deployment of their new missiles with the large numbers of possible RV's in an optimized counterforce configuration they would have an option not available to the United States. As we have discussed before, there is no desire on the part of the United States to develop a counterforce capability. We would prefer that the Soviets and ourselves remain as far from that as possible, but we do intend to be able to match any Soviet developments in this direction. And this proposal would provide us with an option to do so.

This chart, I think, demonstrates the problem that we face; that throw-weight can compensate to a limited but adequate degree for accuracy degradations to be expected in the real world. Greater yields also do the same thing, and that is the problem we face at the present time with the potential improvements in Soviet ICBM forces.

Senator BROOKE. Specifically, Mr. Secretary, in making your request for increased accuracy and increased yields, are you seeking an effective and efficient capability against hardened targets?

Secretary SCHLESINGER. If, by that question, you were referring to a limited number of hardened targets, the answer is "Yes." If, by that question, you are referring to what is sometimes called a first-strike disarming capability, the answer is "No."

For reasons that we have gone into previously, such a disarming capability is beyond the aspirations of either the United States or the Soviet Union. It cannot be obtained by either side.

Senator BROOKE. The missile silos would not be included then as a target?

Secretary SCHLESINGER. An individual missile silo, of course, could be destroyed by an accurate hard target kill RV. The question is, what number of missile silos, with what degree of confidence? I would like to have the opportunity to have you to be briefed with regard to this overall force composition, which I recognize is a matter of concern to you, a matter of continuing concern to you, Senator.

Senator BROOKE. To continue along the same line in view of improvements in increased accuracy and increased yields, can Soviet planners afford not to assume we are embarking on the first steps of a program to obtain first-strike capability against a sizeable portion of their fixed land-based missiles?

Secretary SCHLESINGER. I think, the answer to the question is that the Soviets must recognize the two points that you have made. First, that these are the first steps; that is, the R. & D. steps. Second, that such an improved U.S. ICBM force could impact on a significant proportion numerically of their forces, but not a significant portion in terms of their ability to destroy American cities.

As I indicated before, we cannot take away from the Soviets their ability to retaliate against American cities. In addition, Soviet planners should recognize that there will be continuing uncertainty about accuracy on both sides and that, consequently under no conditions can either side obtain a high confidence disarming capability against even the ICBM component of the overall strategic force of the other side.

Senator BROOKE. Then, assume such an assumption on the part of the Soviets, would that not give tremendous leverage to Soviet hard-

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liners who may desire to convince the Germans as to the merits of preempting first-strikes under crisis?

Secretary SCHLESINGER. I think, the answer to that, Senator, is that they would attempt to exploit it for that purpose. Almost anything that is a characteristic——

Senator BROOKE. Turn it around, would not the similar Soviet capability give similar leverage to hardliners in our country?

Secretary SCHLESINGER. I think that is right. I think the characteristic of these debates, if one can divide the participants in both countries into softliners and hardliners, is that the softliners will use any development on the other side to justify a softline, and that the hardliners will use any development on the other side to justify a hardline. It is kind of built into the nature of things.

When the United States fails to react, the Soviet hardliners will say, "You see, just a little bit more and we can obtain strategic superiority, because they are failing to react."

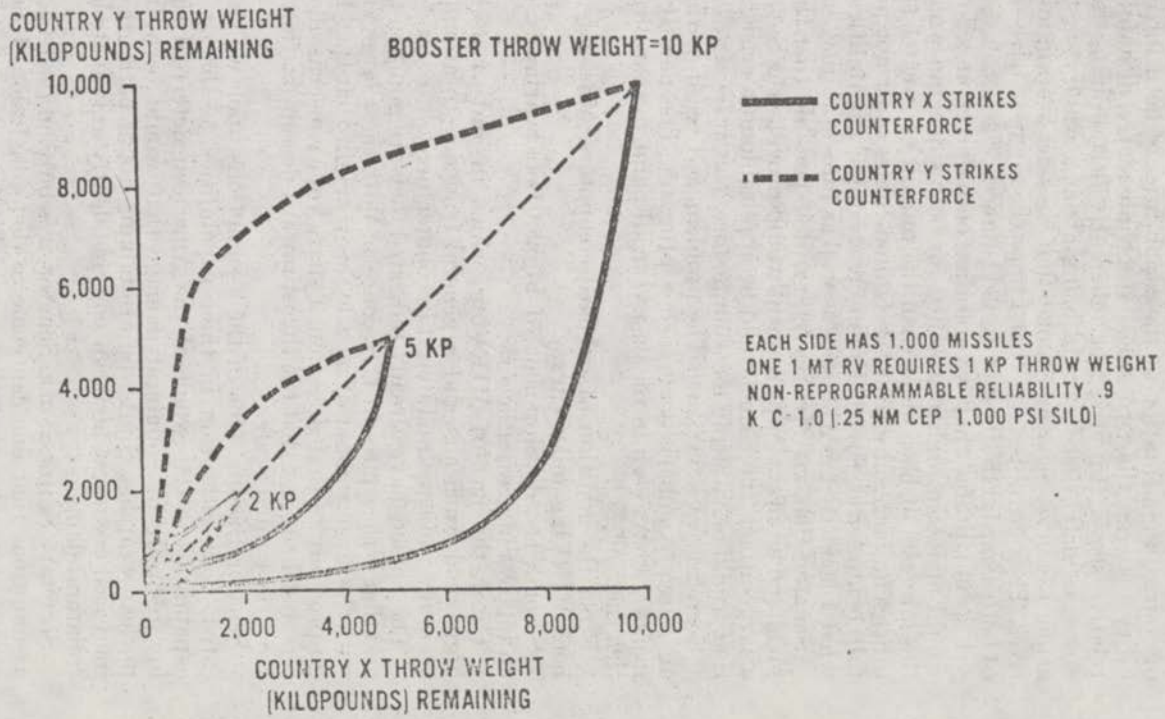
On the other hand, if the United States does react, the Soviet hardliners will say, "We must compete." The softliners will take a different position. So, I think that your statement is quite pertinent, Senator, but I would prefer to put it in that broader context.

Senator BROOKE. I asked the last question because you stated that the possessions of both sides of an effective and efficient counterforce, ICBM capability, is inherently an unstable situation. I think I am paraphrasing you correctly.

Secretary SCHLESINGER. I think that I stated many times—would you show the next chart, please.

[The chart follows:]

RELATIONSHIPS BETWEEN MISSILE SIZE AND RESIDUAL PAYLOAD FOLLOWING COUNTERFORCE ATTACKS OF VARYING SIZE



Secretary SCHLESINGER. Augmentation of missile throwweight and, of course, augmentation of the capabilities of both forces reduces stability between the two sides. It is inherently destabilizing in that relative sense. But it is not inherently destabilizing in the absolute sense; namely, that it would bring about a wholly unstabilized situation. I believe, Senator Brooke, that we must keep in mind two objectives. They are objectives that I hope the Soviets share—the objectives of both armed stability and armed balance.

I would prefer that we stabilize both forces at a low level. That would maintain higher stability for both sides and would be more in the interests of both sides than the pursuit of greater strategic capabilities on both sides. But the United States must not permit itself to fall behind the Soviet Union in strategic capabilities, and that is what I mean by force balance as well as force stability.

Senator BROOKE. Mr. Secretary, it is possible that the coupling of yield and accuracy improvement would provoke the Soviets to develop a large attack force that could be applicable in a crisis situation such that would be vitiating our counterforce threat?

Secretary SCHLESINGER. The problem, as I see it, is that the Soviets are already embarked on such a program. The new ICBM developments we have seen in the past year all point in that direction. Let me tick them off.

First, the addition of onboard computers, obviously, designed for both MIRVing and accuracy.

Second, the development of higher Beta warheads, also denoting an interest in greater accuracy.

Third, the fact of MIRVing, which in and of itself, with these high yield warheads and a general tendency to attempt to improve accuracy, indicates an interest in counterforce.

The Soviets have already indicated they are going in that direction, and that is the source of U.S. concern. With these large yield warheads, with the large amount of missile throwweight that they have, they can go precisely in that direction. I share your concerns about these matters, but I suggest that the thrust toward destabilization is not coming from the United States.

Senator BROOKE. One of the assumptions upon which this is predicated, your alteration in these capabilities, is that it lends greater capabilities to the extent of the American deterrent shield due to a lowered rate of collateral damage that would occur in use of our nuclear weapons. Since you are talking about both greater yield and increased accuracy, how can you confidently anticipate lower levels of collateral damage?

Secretary SCHLESINGER. Senator, it is only on the basis of particular assumptions that one can come to that conclusion. I cannot state—I cannot guarantee that that would be the outcome. All that I have suggested is, that it is far better to respond with selective strikes so that, if the opponent behaves rationally, the war can be terminated before one goes to all-out city bombing rather than to have a strategy which is based on all-out city bombing at the outset.

Now, those are the alternatives. I cannot guarantee the success of a limited response to a limited attack. I can only say that it has a much higher opportunity for success in restricting damage than a strategy that depends upon massive response at the very outset.

Senator BROOKE. One question that has not been fully examined is that of the cost involved in increasing yields of our nuclear weapons. While I realize that targeting accuracy increase may be relatively inexpensive, I think you have so stated, if you so term $300 million, I think that is the figure, you suggest a lot of money, but it is relatively inexpensive. I won't argue, but I am not convinced the device for increased yield capability will be similarly inexpensive to acquire.

COST ESTIMATES FOR YIELD IMPROVEMENTS

Will you provide the committee the cost projections for anticipated yield improvements?

Secretary SCHLESINGER. We will be delighted to do so.

[The information follows:]

Cost estimates for yield improvements are dependent on a number of assumptions, but the general level of expenditure can be indicated. Cost can be divided into two components, those associated with Department of Defense research, development and procurement, and those similar costs for the Atomic Energy Commission.

With respect to the Department of Defense, research and development costs are projected at (deleted) while production of sufficient new RVs and spares to load [deleted] is estimated at [deleted].

The Atomic Energy Commission projects a cost of about [deleted] for research, development and test and [deleted] for production.

In sum, we see the cost to retrofit [deleted] as approximately [deleted].

ESCALATION OF ARMS RACE

Senator BROOKE. As we increase our yield and improve our accuracy as well as develop the MARV the Soviets will take our action as provocative and in turn will it likely result in an increasingly costly escalation of the arms race? Have you analyzed the possible actions of the proposed initiative with respect to their counterinitiative?

Secretary SCHLESINGER. I think, with regard to the MARV being developed by the Navy, that the MARV is essentially a hedge against the deployment of ABM systems by the Soviets, were the treaty to be abandoned by the Soviet Union and were there to be a massive breakout of ABM forces. I believe that the MARV is useful for the purposes that we share in providing a restraint on any inclination by Soviet hardliners to break out of the ABM treaty.

That means, if we have the ability to penetrate such defenses, that the desirability of acquiring such defenses is diminished. We are doing experiments in MARV's, but this type of MARV is, in my judgment, inherently less accurate than would be the MIRV.

Senator BROOKE. Now, yesterday, Secretary Kissinger was asked the value of the threshold test ban, and he reportedly stated—and I want to quote—"It would make more difficult the combination of improved accuracy and larger yield, which may again bring about a situation in which a premium will be put on a first strike."

Now, is this not the very danger your proposed initiative threatens to make?

Secretary SCHLESINGER. I think the first half of Dr. Kissinger's statement is correct, that a threshold test ban precluding the optimization of nuclear weapons to throwweight would inhibit the development of the capability that you are talking about. In my judgment the

rhetoric at the end of that statement does not accurately describe the military balance as we know it today or as we will perspectively know it. The discussions of premium on a first strike just do not comport with nuclear war as I understand it. That hypothetical concept, nuclear war is not attractive, it would be the most agonizing decision that any leader of the United States or the Soviet Union or any additional power would have to take, and to talk about the premium on a first strike as suggesting that this is a decision that could be lightly undertaken, strikes me as being a rhetorical flourish which should not be taken as a description of the underpinnings of reality.

Senator BROOKE. Then you disagree with the Secretary of State's second part of his statement yesterday?

Secretary SCHLESINGER. What I was suggesting is some qualification of the phrase "premium on a first-strike." As long as it is understood that improvements of these capabilities marginally alter calculations.

Senator BROOKE. I can't agree with you.

Secretary SCHLESINGER. In that—excuse me, Senator.

Senator BROOKE. Go ahead, continue.

Secretary SCHLESINGER. As long as it is understood that this is a display of tendency, the second part of the statement is understandable. The phrase "put a premium on a first-strike," was first employed in a period of time when we had all of our strategic capability at some 50 SAC bases. Now our strategic capability and the strategic capability of the Soviet Union are well dispersed and protected and there is no way, no way of obtaining a disarming capability by either side. To use that phrase to cover both situations strikes me as perhaps ambiguous.

Senator BROOKE. Well, I have to agree in the understanding of the statement in its totality, as you said. One part is correct and the other is rhetorical flourish. I am trying to ascertain what our Government's position is relative to the improved accuracy and large yield, whether the Government feels that this will put us in a situation in which a premium will be put on a first strike.

Apparently, from what the Secretary of State said, at least he feels that it would or could, or that is one, it could bring about a situation where a premium would be put on a first strike, and you, as Secretary of Defense, do not believe this is the case. Have you and the Secretary of State discussed this matter, and does the Secretary of State agree with you on this matter—a disagreement between the State Department and Defense Department, and, if that is true, what is the administration's position?

Secretary SCHLESINGER. I think that the administration's position is reflected in the budget request that lies before this committee.

Senator BROOKE. There is a difference of opinion between the Secretary of State and the Secretary of Defense on this issue?

Secretary SCHLESINGER. I think that you would have to inquire of Dr. Kissinger with regard to that. I think there is a difference in terminology and that Dr. Kissinger did employ a strong phrase there. I am not sure whether he believes that that phrase, taken literally,

represents the realities of the nuclear balance as we understand it at the present time.

There is, however, one aspect about his comment that should be noted, and that is the desire to bilaterally constrain the options on both sides and that ties in with the whole nature of the arms limitation agreements.

Senator BROOKE. Well, this is precisely why some of us felt, Mr. Chairman, that there should have been more debate on this matter when it came up in the authorization bill before the Senate and that is why I cosponsored with Senator McIntyre the amendment. It does not mean we felt the Secretary of Defense was not right. We don't know. We just felt we needed more time, and this should be raised to the level of a national debate, which, in the opinion of several of us, it was not a fact. It was the same thing with ABM.

A few Members of the Congress and hardly anybody in the country knew what the ABM was all about when we first started on the ABM. So, it was a job of education, of information, and it was at some point raised to the level of a national debate.

I think, when you and I had breakfast several months ago, you were most gracious at the time, and I suggested to you then I thought this was a subject that certainly merited being raised to the level of a national debate. I think, if you start talking about accuracy and yield, and MARV, I don't know what percentage of Americans would understand what you are talking about. I don't want to cast aspersions on my colleagues, but many of my colleagues didn't know what we were talking about when we had a closed session, as you will recall.

I intend to pursue this further in the Appropriations Committee. I want to know, Mr. Secretary, not because I am in total disagreement with you. I certainly do not question your motives. They have always been high, and I have the greatest respect for you, but here we have the Secretary of State saying something which I think is important, and we have the Secretary of Defense saying what I certainly can't submit to, and many of us can't submit to, and I feel we ought to know really more about this, all of the information we possibly can before we begin to get increased accuracy and increased yield, which could put us in a situation which the Secretary of State said, "would put the premium on a first-strike capability," which the President of the United States has on several occasions—I remember saying in a letter—he said at that time, your President's adviser, Melvin Laird, said, "We are not seeking a first-strike capability." I don't deny that, but it is not always what you did, but what impression you give rather than what you are doing. And these are serious things.

This might be the most important issue on which this Congress votes in this year of 1974. We are changing, I think, our whole strategic doctrine possibly. You may say, "No," but there is a possibility we are changing our whole strategic doctrine, and I think it has been given a minimum of attention when it should have been given a maximum of attention.

Secretary SCHLESINGER. Well, Senator, of course, I agree with you in large degree. I hope I have been responsive to all the issues. I have attempted to illuminate these issues as much as possible.

With regard to Mr. Laird's statement and the President's statement, I hope that I have made clear my own position that a disarming first-strike capability is not within the grasp of either side.

With regard to the change in our strategic doctrine, I can certainly say this is a substantial change. I have attempted to distinguish between those elements that changed the doctrine and those elements that affect the characteristics or size of the force structure. The sizing of the force structure is an issue that I hope will be prudently resolved by both sides during the ongoing SALT discussions.

The change in doctrine by itself, I regard as beneficial in enhancing the deterrents. There are certain elements involved here that fall into both positions, such as accuracy. As I indicated before, I do not think that accuracy improvements are indispensable to the changing doctrine. I believe that they contribute to it. I think that these points are ones that you have understood, and that understanding by yourself and others has contributed to the enlightenment of the strategic debate, as extensive or as limited as it has been.

Senator BROOKE. I think we have a responsibility, and I won't go too far because the chairman has been most generous with time, but I think we have a respoinsibility to inform and educate the American public. We have gases, we have tanks, we have bombers and nuclear weapons and tactical nuclear weapons and the like, and the American public has to learn and to understand what we are involved in. I don't think we should keep them in the dark on what we are doing now insofar as our strategic doctrine is concerned.

The media does not write much about it. Only a few members of the media are sophisticated enough to understand the subject, and they generally write to a sophisticated audience and for scientific journals and the like, and the masses of the people don't read them.

I thought maybe we could reduce it and bring it down to where the people can at least understand what we talk about, a possible change in development, what deterrent means and what not. I hope the Defense Department as well as Congress and the executive branch of the Government recognize this responsibility and will educate the American public.

I think the first thing that can be done is a real healthy national debate on this, and that is why I hated to see this just rush through the Senate, as, in my opinion, it was rushed through the Senate on the authorization bill. I hope the same fate will not occur when the appropriations bill comes before us.

Secretary SCHLESINGER. I share your desire for national debate. I believe I have attempted to outline, not only in congressional testimony, but in the annual Defense Report, the underpinnings with regard to these changes in capability as well as changes in doctrine.

I would, if I might, make this observation, Senator. What we are dealing with here is strictly that politics is the art of the possible, diplomacy is the art of the possible, and arms control is the art of the possible. It requires responsiveness on both sides, bilateral, to make effective arms control agreements. It is not something that could be unilaterally achieved by the United States.

Now, in this connection, I would reiterate my earlier observation that the United States has been reducing the megatonnage and the yields of individual weapons for many years. This has been going down steadily. We reached a peak in terms of strategic offensive megatonnage, I believe, in 1964. Now, we are talking about warheads that represent approximately 1 percent of the yield, for example, of

the SS–9 warhead. While I appreciate your concern with regard to enhancing yields of American weapons, I think we should recognize that arms control is the art of the possible and that large yield Soviet weapons are equivalently a concern to ourselves. If the Soviets unilaterally develop and deploy large yield weapons, that impacts on the arms balance.

Senator BROOKE. I don't want to get into this, because we can get into a long discussion on the merits and how many MIRV's and MARV's and all of that, but I think we all seek the same goals. It is a question of how do we best achieve it.

Thank you, Mr. Secretary, very much.

Chairman MCCLELLAN. Thank you, Senator Brooke.

I would like to also thank you, Mr. Secretary, and your staff, for their cooperation.

Secretary SCHLESINGER. Mr. Chairman, it has been a pleasure to be here.

SUBCOMMITTEE RECESS

Chairman MCCLELLAN. Thank you. The subcommittee will recess until 2 p.m., Tuesday, July 16.

[Whereupon, at 3:55 p.m., Tuesday, June 25, the subcommittee was recessed to reconvene at 2 p.m., Tuesday, July 16.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1975

TUESDAY, JULY 16, 1974

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m. in room S-126, the Capitol, Hon. John L. McClellan (chairman) presiding.

Present: Senators McClellan and Young.

DEPARTMENT OF DEFENSE

STATEMENT OF HON. TERENCE E. McCLARY, ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER)

ACCOMPANIED BY:

FRED P. WACKER, DEPUTY ASSISTANT SECRETARY OF DEFENSE (PROGRAM/BUDGET)
MANUEL BRISKIN, ASSISTANT GENERAL COUNSEL (FISCAL MATTERS)
DONALD B. SHYCOFF, ACTING DIRECTOR FOR OPERATIONS, OASD(C)
LT. GEN. J. A. KJELLSTROM, COMPTROLLER OF THE ARMY
REAR ADM. E. W. COOKE, DIRECTOR OF BUDGET AND REPORTS, DEPARTMENT OF THE NAVY
MAJ. GEN. H. M. FISH, DIRECTOR OF BUDGET, DEPARTMENT OF THE AIR FORCE

BUDGET AMENDMENTS

Chairman McCLELLAN. The subcommittee will come to order.

This afternoon the subcommittee will receive testimony in support of fiscal year 1975 budget amendments.

On May 30, the Congress received a budget amendment requesting $1.1 million for the Defense Manpower Commission.

On June 24, the President transmitted amendments which increase the Department of Defense fiscal year 1975 budget request by $1,474,100,000.

These amendments raise the total fiscal year 1975 request to be considered by the committee to $87 billion.

The first witness will be the Assistant Secretary of Defense, Comptroller Terence E. McClary.

Mr. Secretary.

Mr. McCLARY. Mr. Chairman, members of the committee, I have a prepared statement that I believe you have in your hands. At your option I can read that or summarize in a few minutes.

Chairman McCLELLAN. The prepared statement will be printed in the record in full at the conclusion of your remarks. You may proceed to summarize it.

Mr. McCLARY. Mr. Chairman, we are requesting an amendment to the fiscal year 1975 appropriation request in the amount of $1,474 million.

Specifically, we are asking for $894 million for increase in petroleum prices, $353 million for cost of living increase for military retirees, $140 million for increased payments for Wage Board employees, and $87 million for legislation enacted in this session related to flight pay, enlisted bonuses, and payments to medical officers.

Of this amount, $438 million had already been included in the January budget request as an allowance for contingencies to cover costs of anticipated pay increases and proposed legislative items. Thus, there are only $1,036 million in increases in the amended budget request above that amount previously planned.

Chairman McCLELLAN. Please explain that again.

Mr. McCLARY. We are asking for $1,474 million in appropriations. Of that amount, we had previously included in the contingency $438 million, so that the new budget authority asked for is $1,036 million.

Chairman McCLELLAN. So you are not asking for $1,474 million.

Mr. McCLARY. Not in new budget authority. Keep in mind we previously had $2.2 billion of contingency. This $2.2 billion was to take care of various items we anticipated would occur after our submission that would require additional appropriations. Among these items were the various legislative proposals, pay increases, and so forth. We are asking for $438 million of the $2.2 billion contingency now. We are also asking for an additional $1 billion, $36 million more not covered by the contingency estimates, so that our budget authority request goes from $92.9 billion to $93.9 billion. That is the total budget authority that we are now asking for.

Chairman McCLELLAN. You are asking for $1 billion more?

Mr. McCLARY. Yes, sir. Beyond what we had initially planned.

Chairman McCLELLAN. What is confusing to me, why do you show the figure of $1.474 billion and say you are only asking for $1.036 billion?

Mr. McCLARY. It is a matter of a formal transmission of a budget request. Keep in mind that in January while we submitted a budget request of $92.9 billion, we only requested $90.6 billion in appropriations. We informed you at that time and included in the 1975 budget request that the total amount we were going to ask for would be $2.2 billion higher than that. We transmitted that in January and said we would submit $2.2 billion more later.

We do have in that statement—if you want to discuss that item further, we can go to table No. 2. At the top of the line there off to the right you will see $2,242 million. That is the contingency.

Chairman McCLELLAN. Is this replacing money you have already spent?

Mr. McCLARY. No, sir. Let me try to get another schedule here.

Here is a schedule of what we transmitted there at the top.

Chairman McClellan. What does this all add up to?

Mr. McClary. In this request we are using $438 million of the contingency mentioned there, meaning that the difference——

Chairman McClellan. $438 million?

Mr. McClary. Yes, meaning beyond that $1 billion dollars that would be added on to the final figure you see at the bottom of the page.

Chairman McClellan. $92 billion?

Mr. McClary. Yes. Now we are asking another $ billion beyond what had been anticipated in the plan at the time of the submission of the budget.

Senator Young. You speak of the contingency funds. Is that fiscal 1974 money?

Mr. McClary. No, that would be in 1975, that is included both for new obligational authority as well as anticipated outlays on the part of the President's request, so it does pertain to outlays as well as to new obligational authorities.

Chairman McClellan. How much are you requesting this committee to appropriate?

Mr. McClary. $1,474 million.

Chairman McClellan. So that $1,474 million is what you are asking us to appropriate?

Mr. McClary. Yes, sir.

Chairman McClellan. Why do you confuse it with unnecessary material?

Mr. McClary. The additional numbers shown in the presentation are so that we may give you a track, a full perspective of where we are today compared to our original estimates.

Chairman McClellan. In other words, you are asking for $1 billion more than you told us you would ask for.

Mr. McClary. Yes, sir.

Chairman McClellan. The total is $1,474 million of appropriations request?

Mr. McClary. Yes, sir. That is correct.

Chairman McClellan. The $474 million is old authority?

Mr. McClary. No, sir. It is what we anticipated at the time of the initial submission of the budget that we would be asking for later. That along with other items aggregating $2,242 million.

Senator Young. $2,446 million is taken out of the contingency which we have not passed yet?

Mr. McClary. That is right. It is confusing, sir.

Chairman McClellan. There should be some way to present this in a more simplified form.

General Kjellstrom. The President's budget request contained detailed appropriation requests of $90.6 billion. And in the narrative of the President's budget request he stated there would be future requirements presented to the Congress of approximately $2.2 billion.

Chairman McClellan. $2.2 billion?

General Kjellstrom. Right. That is the figure estimated previously. Today's request is $1,474 million consisting of $438 million we had planned on submitting originally as reflected in the contingency and $1,036 million of additional requirements not foreseen.

Why the difference of a billion? The difference is because of the unforeseen fuel price increases and the other items included here, Mr.

Chairman. The numbers are confusing because the original detailed appropriation request that the Congress is acting upon did not include the contingency request.

This is the confusion factor that has existed over the period of the last 5 years that I have been before you because the contingency fund is something that comes forth at a later time as part of a supplemental or part of a budget amendment.

ESTIMATES DETERMINING ALLOWANCE FOR CONTINGENCIES

Senator YOUNG. What were the estimates used in determining the allowance for contingencies in the January budget request?

Mr. MCCLARY. As you will note on table 2 of my statement, I repeat the distribution of the contingency estimates forwarded by the President on page 191 of the budget. These estimates are:

	Millions
Civilian and military pay raises	$2,000
All-volunteer force	153
Military retirement systems reform	55
Other legislation	34
Total contingency estimate	2,242

Senator YOUNG. What changes have occurred in the amounts estimated in the allowance for contingencies?

Mr. MCCLARY. After applying the appropriate contingency estimates to this amendment, $1,804 million remains. This balance is the net result of increased retired pay costs and legislative proposals not enacted or enacted in a fashion requiring fewer funds. The balance will be applied as necessary to finance those civilian and military pay increases that will be forwarded in a supplemental later in the fiscal year. Our disposition of the estimates is detailed on table 2 of my statement.

Senator YOUNG. If you can absorb that much from the contingency funds, why couldn't you absorb the full amount?

General KJELLSTROM. Because the balance is reserved for supplemental pay requirements.

General FISH. We never planned to absorb it. It is a statement of what we think it will cost us in supplementals later.

Senator YOUNG. I am talking of the total budget. Is there any way you could absorb this out of your total budget?

General FISH. No.

Senator YOUNG. What is the total budget?

Mr. MCCLARY. It is now $93.9 billion of budget authority. Included in that $93.9 billion is a contingency amount to cover a supplemental which will be submitted for the October 1 military and civilian pay increases. We estimate that to be $1.5 billion, assuming a 6.4 percent pay increase.

If the pay increase should become roughly 8 percent, then we would have to ask for $500 million more. So the billion and a half is simply an estimate of what we think the pay raise will be.

We shall also be asking at a later time an estimated $215 million for wage board increases.

Senator YOUNG. We are wondering where we are going to get this $10 billion cut the Chairman of the Federal Reserve requests.

Chairman McCLELLAN. The President has recommended a reduction of $5 billion in fiscal year 1975 Federal expenditures. The Chairman of the Federal Reserve Board recommends that fiscal year 1975 outlays be reduced by $10 billion.

The budget amendments which you speak in support of add $1.474 billion in new obligational authority for fiscal year 1975. What is the figure translated to outlays for fiscal year 1975?

The January budget submission estimated Defense outlays to be $85.8 billion for fiscal year 1975. Am I correct that the amendments which the committee is now considering are not included within the $85.8 billion expenditure figure?

Mr. McCLARY. We estimate that the outlays associated with the fiscal year 1975 amendment amounted to $851 million. Although these outlays were not wholly included in our original estimate of $85.8 billion, congressional reductions to the fiscal year 1974 supplemental and actions to date on the fiscal year 1975 budget request will reduce outlays in fiscal year 1975 in greater amounts than the amendment of $1,474 million will add. Therefore we should be able to stay within the $85.8 billion estimate.

Chairman McCLELLAN. How much did we appropriate for contingencies?

Mr. McCLARY. That is the $2,242 million that we had previously informed you we would be asking for in supplemental appropriations.

Chairman McCLELLAN. You previously told us you would make requests in the future for $2,242 million?

Mr. McCLARY. Yes, sir. Of that amount we are now asking for $438 million.

Chairman McCLELLAN. $438 million of the $2,242 million.

Mr. McCLARY. The contingency; yes, sir.

In addition we are asking for another $1,036 million. That makes a total of $1,474 million.

Chairman McCLELLAN. Why don't you just tell us what we are asking for?

Mr. McCLARY. We can do that. On the schedule I think we can simplify, it is an oversimplification, but we have two items in the column of four there. The cost of living increase for military retirees of $353 million.

Chairman McCLELLAN. Yes, proceed.

Mr. McCLARY. At the bottom the $87 million for the legislation enacted in this session. Those two items were included in the contingency.

Chairman McCLELLAN. Why doesn't all of this come out of the contingency?

Mr. McCLARY. Because the remainder of the contingency was planned to cover the supplemental for the civilian and military pay increases that will probably take effect October 1. That will be governmentwide, not only for Defense but for the entire Government. So our supplemental pay bill will be included with all other departments and agencies and our estimate is that it will amount to $1.5 billion based on a 6.4-percent pay increase. In addition we have a little over $200 million in the contingency for wage boards which will also be included with all other departments and agencies in the pay supplemental. So we are being consistent.

Chairman McCLELLAN. You propose a hypothetical figure and that is your contingency?

Mr. McCLARY. Yes. Another way to do that would be for us to include in our regular appropriation requests each year the amounts that we really anticipate for wage increases. That is another way to do it, but that is not compatible with the Office of Management and Budget regulations, therefore, we are being consistent across the Government.

Chairman McCLELLAN. You are being consistent with their system of presenting a budget; is that what you are saying?

Mr. McCLARY. Yes, sir.

Chairman McCLELLAN. I think they should devise a simpler method.

Senator YOUNG. If we don't get our regular Defense appropriation bill passed by the first of October, then of course we would have to add pay increases to that or pass a separate bill?

Mr. McCLARY. Yes; normally as you know, like last year, we had the pay supplemental accompany the regular—the pay supplemental for 1974 accompany the 1975 budget.

Senator YOUNG. In a regular supplemental bill?

Mr. McCLARY. Yes.

Chairman McCLELLAN. Am I correct in assuming that you did not contemplate in the original contingencies the $894.5 million price increase?

Mr. McCLARY. That is right, the price increases for POL were not included as a contingency item.

Chairman McCLELLAN. You didn't anticipate contingency funds?

Mr. McCLARY. Yes, sir.

Chairman McCLELLAN. That is true for the $139.6 million increase as well.

Mr. McCLARY. Yes, sir. We did not anticipate the expiration of the economic controls that that particular wage board increase is tied to.

Senator YOUNG. What is your total budget for petroleum? The increase in prices here indicates $894 million, I think the increased cost to the military, because you purchased more overseas, may be higher than the increased cost to the average consumer in the United States. Is that true?

Mr. McCLARY. You have asked several questions. We formerly purchased about 50 percent of our fuel overseas, and we formerly had very attractive prices relative to industry, formerly. Since the Arab embargo, and now that we are on a mandatory allocation system, the prices we now pay for fuel are not so favorable, relative to industry.

Senator YOUNG. What I am trying to get at, has the price of petroleum to the Defense Department increased more than that to the average citizen of the United States?

Mr. McCLARY. Yes; partly because we had such favorable prices originally. The cost of a barrel in 1973 was roughly $5 a barrel. The cost in 1974 was roughly $10 a barrel, and the cost in 1975 is about $15 a barrel. That represents the cost in each of those years.

Senator YOUNG. Because you have to use a higher percentage of foreign oil than domestic oil?

Mr. McCLARY. No, sir; because the price of oil, foreign or domestic, has increased to that level and under the mandatory allocation process, we do not receive more favorable prices.

Chairman McCLELLAN. Do you pay about the same price for domestic as for Arab oil?

Mr. McCLARY. Yes, sir.

Chairman McCLELLAN. Domestic oil producers are charging the same price as the Arabs?

Mr. McCLARY. That is true.

Chairman McCLELLAN. Is there any explanation whatsoever that justifies a triple increase in the last 2 years in the cost of petroleum produced in this country?

Mr. McCLARY. No, sir; I do not believe that the domestic costs have increased in the same magnitude as the prices to the Department of Defense.

Chairman McCLELLAN. As I recall, the Department of Defense paid about $5.60 a barrel in 1973.

Mr. McCLARY. In 1973, per barrel.

Chairman McCLELLAN. And in fiscal 1974 the price rose to $10.

Mr. McCLARY. On the average we paid $10.

Chairman McCLELLAN. Now in fiscal 1975 it is going to cost us $15 per barrel?

Mr. McCLARY. That is about right.

Chairman McCLELLAN. That applies to domestic, as well as Arab oil?

Mr. McCLARY. Yes.

Chairman McCLELLAN. What justification can there be for petroleum prices increasing at such rates?

Mr. McCLARY. As I mentioned, part of the prices we paid in 1973 were due to the favorable opportunities of the Defense Department to go out and get competitive bids for very large quantities of fuel.

Chairman McCLELLAN. The oil companies in this country didn't lose any money in fiscal 1973.

Mr. McCLARY. No, sir; but we presume that they were operating profitably.

Chairman McCLELLAN. But they are making three times as much now.

Mr. McCLARY. We cannot realistically comment on oil company profits. But we do know that we are not in a competitive situation now. The oil that we get domestically comes under the mandatory allocation where the Federal Energy Administration directs the oil companies to furnish us with fuel.

Chairman McCLELLAN. They ask whatever they want to?

Mr. McCLARY. Then we negotiate with them, and it is in that negotiation that we are not receiving as favorable a pricing as we did previously under a competitive situation where we asked many oil companies to bid and they were all anxious and hungry for the money.

Chairman McCLELLAN. Do you feel like the Government is getting gouged in this situation?

Mr. McCLARY. There are instances where we feel we are paying too much and have asked the Federal Energy Office to investigate those particular cases.

Chairman McCLELLAN. I can appreciate that fuel prices go up as the cost of living goes up, but I can't see any justification for a 200-percent increase. It looks to me that American consumers are being taken advantage of.

Staff just handed me a notation that the Defense Department extended an invitation for the oil companies to bid and was extended to 93 oil companies with only one response. Is that true?

Mr. McCLARY. That was some time ago, prior to the mandatory allocation program. Subsequent to the Arab embargo, we have not had a competitive situation in the United States. We do feel—this is only optimism—we do feel currently there is more production than consumption worldwide, and that in time we may find the opportunity to get back in a competitive position where perhaps these prices that we are paying by the Government will go down. There is some optimism in that regard. That is principally because production right now is exceeding consumption. If that continues, it could break this price situation. We are hopeful for that.

Chairman McCLELLAN. All right, proceed. Do you need to present anything else, Mr. Secretary?

Mr. McCLARY. We may comment on quantities of oil that we are using.

Chairman McCLELLAN. In regard to this increased appropriation, is there a factor of increased consumption involved in that cost?

Mr. McCLARY. With respect to oil, in 1973 our consumption was 279.5 million—let's call it 280 million barrels, and in 1974 we had significant reductions bringing it down to 199 million barrels. In our President's request we asked for 245 million barrels, and we have now modified that request to 226 million barrels.

So since we submitted the original budget we have reduced our estimated consumption by 19 million barrels. So we have a significant reduction from 1973, specifically 53 million barrels, and also we are reducing the volume here from the original budget. Again the result of conservation measures and procedures that we have been taking.

Chairman McCLELLAN. How were we able to reduce it to 199 million in 1974?

Mr. McCLARY. In 1974 it was an unusual situation, we cut back on flying and cut back on steaming to such a point that we became concerned that we might adversely impact readiness. We cut back too far and over a period of time we could not sustain those levels without degrading our readiness posture.

Chairman McCLELLAN. What do you mean you could not sustain these levels?

Mr. McCLARY. Not while maintaining the readiness of the organization.

Chairman McCLELLAN. You wouldn't have fliers as well trained?

Mr. McCLARY. Yes, sir. That is correct. We had some statistics on accident rates and things of that sort that we could assess and concluded that we could not maintain the consumption cutbacks. We are now at what we consider the prudent minimum of flying time, flying hours. We have also effected economies throughout the organization for conserving of fuel.

Chairman McCLELLAN. Did we furnish a lot of fuel in fiscal 1975 to Israel for the war over there?

Mr. McCLARY. No, sir.

Chairman McCLELLAN. Where did they get their fuel?

Mr. McCLARY. They must have had to buy it on the market. They do have some oil production in the Sinai. They do have some.

Chairman McCLELLAN. They didn't buy it from us?

Mr. McCLARY. No, sir.

Chairman McCLELLAN. We didn't furnish it out of our military supplies?

Mr. McCLARY. No, sir.

Chairman McCLELLAN. Anything further you want to comment on?

Mr. McCLARY. We might comment on the other unusual item that was not anticipated previously, that is that $140 million for increased payments for wage boards, that $139.6 million.

On April 30, the Economic Stabilization Act expired and, therefore, on May 1, we in Government, including DOD, then had to raise the prices, or raise the wages of blue collar workers to correspond with industry averages and area averages. Previously we were holding these wage payments to increase of 5½ percent, and in Government those were below the area averages. In other words, in other parts of the economy wage increases were given at a higher level. Once those stabilization controls went off we were forced to raise wages up to the appropriate level of the area.

Chairman McCLELLAN. Is this for fiscal 1975?

Mr. McCLARY. Yes, sir. The May and June increases we absorbed. We absorbed those in our budget for 1975.

Chairman McCLELLAN. These were increases not anticipated by the Defense Department?

Mr. McCLARY. That is right.

Chairman McCLELLAN. That is without the anticipation of the contingency?

Mr. McCLARY. Yes.

Chairman McCLELLAN. All right, proceed.

Mr. McCLARY. If wage controls had stayed on, it is unlikely we would have had to ask for this money.

Chairman McCLELLAN. Senator Young, do you have any further questions on this?

Senator YOUNG. No, Mr. Chairman.

Chairman McCLELLAN. Thank you, Mr. Secretary. Maybe I will take a little course in accounting.

Mr. McCLARY. It is confusing, sir, to me, too.

ANALYSIS AND EXPLANATION OF INCREASES

Chairman McCLELLAN. I wish you would prepare a report for the record regarding the gasoline situation analyzing the situation with respect to the prices being charged the Defense Department by the oil companies. Make a comparison of this cost to the cost of petroleum products available for civilian consumption. On the face of it, it looks like the military is paying more for its petroleum than the consumer.

Mr. McCLARY. We will prepare an analysis and explanation of the increases and try to relate those.

[The information follows:]

Industry, especially airlines, generally negotiates long-term contracts for commercial fuel. These long-term contracts tend to restrain price escalation. DoD has traditionally used short-term contracts of one year or less. As a result of the Arab embargo, DoD was forced to negotiate two-month requirements under the Defense Production Act and then quarterly increments under the FEA allocation program for 1 January through 30 June 1974. Most of DoD's overseas contracts for products were voided by the Arabian embargo. The longer contracting arrangements to the airlines provided a buffer to them against drastic price

increases, while DoD has experienced higher increases in prices with its shorter term contracts.

Because of the international shortage of products, DoD has had to make some spot buys in FY 1974 from overseas sources at very high prices in order to meet operational requirements.

Under the FEA petroleum allocation and price regulations, domestic price increases for gasoline, heating oils and diesel fuels are controlled. Certain cost increases on those protected products are passed to products which are not protected. The non-protected products include jet fuel, petro-chemicals and turbine fuel. Cost may be passed to unprotected products at the suppliers' option as authorized by FEA without allocating the costs to all such products on a proportionate basis. Pass-through costs on military petroleum products are a major element of current domestic product prices to DoD.

In the past, the Federal Government had been considered by industry as a surplus buyer. DoD had been very successful in obtaining products at prices substantially below the commercial market. In today's petroleum market, there is no longer a surplus of product which the petroleum industry is willing to sell at distressed prices. The current tendency is for product to move in the direction of most profit, and DoD has reverted from a "most favored" position to one where we must compete against more favored, long-term contract customers.

The above factors, particularly the change from "most favored" to less favored status largely accounts for the percentage increase to DoD fuel costs being greater than that beig experienced at the local gasoline station. In addition, the inclusion of State and Federal taxes at the retail level has somewhat masked the percentage increase in the cost of gasoline to consumer.

PETROLEUM FROM FOREIGN SOURCES

Senator YOUNG. Is the Defense Department continuing to procure large quantities of petroleum products from foreign sources? If so, how much is procured from the United States?

Mr. MCCLARY. I will be happy to provide for the record, Senator, the percent of petroleum products in fiscal year 1973 and fiscal year 1974 procured from refineries in the United States, in U.S. possessions overseas, and those in foreign countries.

[The information follows:]

	Percent of total, fiscal year—	
	1973	1974
United States	50	56
U.S. possessions overseas	7	7
Foreign	43	37

FUEL COSTS TO SERVICES

Senator YOUNG. What are the services currently paying for fuel for vehicles, aircraft, and ships? How does this price relate to costs before the Mideast October war?

Mr. MCCLARY. I will provide for the record, Senator, the July 1, 1973, and the current cost per barrel for motor gasoline; JP-4, the largest aircraft fuel; and distillate fuel which is the primary ships fuel.

[The information follows:]

	Cost per barrel		
	Mogas	JP-4	Distillates
July 1, 1973	$7.35	$6.26	$5.54
Apr. 1, 1974	14.07	14.87	15.50

SUPPLEMENTAL FUNDS FOR FUEL INCREASES

Senator YOUNG. In the fiscal year 1974 supplemental, the Congress provided additional funds for the recent increase in petroleum prices. Is this amendment request a continuation of that price increase for petroleum products or is this a request for a subsequent price increase?

Mr. MCCLARY. This amendment reflects the fiscal year 1975 cost of the April 1, 1974, price increase and the higher than estimated increase in primarily Navy fuels which this committee approved and the Congress provided for in fiscal year 1974 as a result of your action on our fiscal year 1974 supplemental request.

Senator YOUNG. I can't help but believe the real explanation is that the domestic oil prices—we produce about 80 percent of our requirements—have not gone up near as much as foreign oil. In your requirements you probably have to get a lot of your oil from foreign suppliers which has gone up a lot more than domestic prices.

Chairman MCCLELLAN. He said not. He said earlier when he buys domestic they charge the same, $15 a barrel.

Mr. MCCLARY. It is about the same.

Chairman MCCLELLAN. You can get Arab oil as cheap as you can get domestic?

Mr. MCCLARY. That is right.

Chairman MCCLELLAN. That is what I thought you said.

PREPARED STATEMENTS

Chairman MCCLELLAN. All right, thank you.

Your prepared statement, as well as those of your colleagues will be included in the record at this point.

[The statements follow:]

STATEMENT OF TERENCE E. MCCLARY

Mr. Chairman and Members of the Committee, I am appearing before this Committee to discuss the proposed amendment to our request for appropriations transmitted by the President to the Congress on June 24, 1974. Justification books have been provided this Committee, which show the details on the amendment and its relationship to the original budget request.

This amendment reflects certain pay increases resulting from existing law and from new legislation for which an estimate had already been included in the fiscal year 1975 Defense budget as an allowance for contingencies. It also reflects uncontrollable pay and fuel price increases which will add significantly to our costs for fiscal year 1975 but which cannot be accommodated within the original request. There are no program increases in this amended request, which consists of the following:

TOA and budget authority

	Millions
Increase in petroleum prices	$894.5
Cost-of-living increase for military retirees, which will take effect under existing law on July 1, 1974	353.0
Increased payments for wage board employees to cover increased amounts payable under existing law, incidental to the expiration of economic controls on April 30, 1974	139.6
Legislation enacted in this session related to flight pay, enlisted bonuses, and payments to medical officers	87.0
Total	1,474.1

TABLES ON BUDGET AMENDMENTS

Table I presents details of the amended appropriation requests by appropriation title. Table II presents details showing application of the amounts in the allowance for contingencies in the President's Budget to specific items in the amended request. With respect to this latter table, each year in the Defense part of the President's Budget, we include an allowance for contingencies to cover costs of pay increases and proposed legislative items. The estimate for these contingencies is a part of the Defense total as stated in the budget documents. These are items which we cannot show in the individual appropriation presentations because either we don't know with sufficient accuracy what the amount of the incerase will be or whether the proposed legislation will be enacted. We include this allowance for contingencies with the understanding that separate transmittals of appropriation requests will be made when the amounts become firm. Accordingly, $438 million of this amended request for pay and legislative items is a drawdown from the allowance for contingencies as presently stated in the President's Budget.

I want to emphasize that all of these amendments result from new legislation or existing laws which control personnel compensation and from fuel price increases that occurred subsequent to the development of the fiscal year 1975 budget estimates. The amendment does not include purchase price inflation for other than fuel, although significant additional costs in 1975 will probably be incurred because of the abnormally high rate of inflation experienced during the first six months of this calendar year

[The tables follow:]

TABLE I.—DEPARTMENT OF DEFENSE, FISCAL YEAR 1975 BUDGET AUTHORITY REVISED TO REFLECT 1975 BUDGET AMENDMENT

[In thousands of dollars]

Budget appendix page	Appropriation title	Fiscal year 1975 request pending	Fiscal year 1975 proposed amendment: Fuel cost increase	Consumer price indices	Wage board	Legislative: Flight pay	Enlisted pay	Medical pay	Total	Fiscal year 1975 revised request
	MILITARY PERSONNEL									
265	Military personnel, Army	7,914,800	10,500			3,900	17,700	16,300	48,400	7,963,200
266	Military personnel, Navy	5,765,200	13,100			4,600	7,000	20,000	44,700	5,809,900
268	Military personnel, Marine Corps	1,728,700	1,500			1,000	1,300		3,800	1,732,500
268	Military personnel, Air Force	7,450,000	10,500			6,900		8,300	25,700	7,475,700
	Reserve personnel, Army	490,600								490,600
	Reserve personnel, Navy	209,700								209,700
	Reserve personnel, Marine Corps	73,000								73,000
	Reserve personnel, Air Force	148,565								148,565
	National Guard personnel, Army	621,700								621,700
	National Guard personnel, Air Force	198,577								198,577
	Total, military personnel	24,600,842	35,600			16,400	26,000	44,600	122,600	24,723,442
273	Retired pay, defense	5,687,600		353,000					353,000	6,040,600
	OPERATION AND MAINTENANCE									
276	Operation and maintenance, Army	6,837,400	184,300		26,800				211,100	7,048,500
277	Operation and maintenance, Navy	7,291,000	319,700		55,200				374,900	7,665,900
278	Operation and maintenance, Marine Corps	446,300	8,300		2,500				10,800	457,100
279	Operation and maintenance, Air Force	7,519,400	304,300		31,500				335,800	7,855,200
281	Operation and maintenance, Defense Agencies	1,876,800			4,900				4,900	1,881,700
282	Operation and maintenance, Army Reserve	279,700	100		1,600				1,700	281,400
283	Operation and maintenance, Navy Reserve	238,400	7,600		1,900				9,500	247,900
284	Operation and maintenance, Marine Corps Reserve	11,400	300						300	11,700
284	Operation and maintenance, Air Force Reserve	278,200	9,000		1,600				10,600	288,800
285	Operation and maintenance, Army National Guard	608,400			6,500				6,500	614,900
286	Operation and maintenance, Air National Guard	596,100	25,300		7,100				32,400	628,500
	NBPRF, Army	178								178
	Claims, Defense	54,600								54,600
	Contingencies, Defense	5,000								5,000
	Court of Military Appeals, Defense	1,065								1,065
	Total, operation and maintenance	26,043,943	858,900		139,600				998,500	27,042,443
	Total amendment		894,500	353,000	139,600				1,474,100	

TABLE II.—DEPARTMENT OF DEFENSE—FISCAL YEAR 1975 BUDGET AUTHORITY APPLICATION OF CONTINGENCY ALLOWANCE TO BUDGET AMENDMENT INCREASES

[In thousands of dollars]

	Miltariy and civilian pay raises	Wage Board increase	Consumer price indices	Legislative proposals				Total
				All volunteer	Retired pay	Flight pay	Continuation pay	
Contingency allowance included in fiscal year 1975 budget	1,525,000	215,000	260,000	153,000	55,000	25,000	9,000	2,242,000
Amounts now applied to budget amendment:								
Fuel cost increase								
Retired pay CPI increase			—260,000	[1] —82,400		[1] —8,600		—351,000
Wage board increase								
Flight pay						—16,400		—16,400
Enlisted pay				—26,000				—26,000
Medical pay				—44,600				—44,600
Total amounts applied			—260,000	—153,000		—25,000		—438,000
Contingency allowance not applied	1,525,000	215,000			55,000		9,000	1,804,000
Sources of budget amendment funding:								
Application of contingency allowance								438,000
Additional budget authority not reflected in fiscal year 1975 budget								1,036,100
Total								1,474,100

[1] These balances are applied to retired pay CPI increase.

Proposed Increases

Mr. McClary. I would now like to discuss the elements making up the $1,474.1 million in proposed increases before you.

Fuel Cost Increases

Since submission of the fiscal year 1975 budget request in February 1974, and despite Defense efforts to reduce POL consumption, the overall cost of fuel will rise an additional $936.5 million above that contained in our original request. Price increases will amount to $572.4 million for POL purchased directly by the operation and maintenance accounts for operational purposes. POL products purchased by the industrial funds will result in cost increases of $364.1 million, and of this amount, $286.5 million will be charged to the operation and maintenance accounts in the form of increased industrial fund rates and transportation tariffs, and another $35.6 million to the military personnel accounts in the form of increased transportation and PCS tariff rates. We plan currently to absorb the remaining $42 million in other appropriations.

Computation of Petroleum Requirements

Chairman McClellan. The prime factors involved in the computation of petroleum requirements are flying hours and ship steaming days. If the level of activity for flying hours and ship steaming hours were reduced to the level actually utilized during fiscal year 1974, what would be the funds which could be reduced by appropriation from the fiscal year 1975 amended budget?

Mr. McClary. Fiscal year 1974 consumption was severely depressed as a short-term energy conservation measure and an interim solution to the fuel shortage and associated price escalation caused by the oil embargo. Extension of this depressed level of activity into fiscal year 1975 would degrade military readiness over the full spectrum of combat capability. Pilot and ship operator proficiency could not be maintained. Pilot skills would continue to be eroded, seriously impacting on our surge capability and requiring even greater retraining requirements in the future. As an example, Mr. Chairman, the fiscal year 1974 flying

hour program only provided our Navy tactical air crews with 80 percent of primary mission readiness. Our fiscal year 1975 budget level provides for a modest increase to 88 percent, which we feel is the absolute minimum required.

At this point I will insert for the record the appropriation data you requested Mr. Chairman.

[The information follows:]

	Millions
Operation and maintenance, Army	$0.3
Operation and maintenance, Navy	54.8
Operation and maintenance, Air Force	111.3
Operation and maintenance, Army Reserve	.6
Total	167.0

The activity levels for the Naval Reserve, Air Force Reserve, and Air National Guard in the fiscal year 1975 amended budget are below that currently estimated for fiscal year 1974.

PRICE OF FUEL TYPES PAID BY DEFENSE STOCK FUND

Chairman MCCLELLAN. Would you provide the price of each type of fuel (cost per barrel) that has been paid by the Defense Stock Fund during the past 3, 6, and 9 months, with the prices being paid by large commercial users of fuel such as airlines, shippers, and bus companies.

Mr. MCCLARY. I will be happy to have that information provided for the record.

[The information follows:]

The Defense Fuel Supply Center (DFSC) contract costs for products for the last nine months of fiscal year 1974 are as follows. These figures represent worldwide weighted average costs.

PRICE PAID TO SUPPLIERS

[In dollars per barrel]

	Fiscal year 1974 (Quarter)—		
	2d	3d	4th
Mogas	$8.26	$9.10	$11.78
Avgas	7.88	9.44	13.00
Diesel fuel	6.04	11.68	13.06
JP-5	7.24	10.48	12.76
Navy distillate	6.51	12.20	12.64
Navy special	5.18	8.34	11.30
JP-4	6.43	10.88	13.63

As a basis for our contract negotiations DFSC compares specific contract prices with pricing data published by the Civil Aeronautics Board, Platt's Oilgram, the Oil Buyer's Guide, the Federal Power Commission and others. Each contract price, however, must be compared with the existing spot market for an identical product of the same specification in similar quantities for delivery at similar locations under comparable conditions. All of these factors influence the final contract prices. Accordingly there is no single industry standard with which to compare defense fuel costs. DFSC analyzes prices from a number of sources under varying circumstances. To our knowledge, there is no simple or meaningful way to compare the average prices to the Government with the average price to a particular class of industrial user such as truckers or railroads.

Chairman MCCLELLAN. Proceed.

Mr. MCCLARY. Fuel costs have increased despite a reduced total projected POL consumption of 17.6 million barrels, or 7.2%, less than the POL consumption projected in our February 1974, budget estimates. Our revised estimate of 226.3 million barrels computes out to a daily consumption rate of 620 thousand barrels, as compared to 668 thousand barrels per day projected originally. Also, the 226.3 million barrels contrasts with fiscal year 1973 and fiscal year 1974 POL consumption—279.5 million barrels and 235.5 million barrels, respectively.

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More of the details on POL consumption and related costs are provided in Tables III and IV.

COST PER BARREL ON FUELS

Chairman MCCLELLAN. Provide for the record a tract on the cost per barrel to the customer appropriations of JP–4, MOGAS and distillate fuel since the beginning of fiscal year 1973.

Mr. MCCLARY. I will be glad to provide that information for the record.

[The information follows:]

	JP–4	MOGAS	Distillates
July 1, 1972	4.49	6.30	4.51
Jan. 1, 1973	4.49	6.30	4.20
July 1, 1973	6.26	7.35	5.54
Jan. 1, 1974 [1]	11.63	10.29	10.00
Feb. 1, 1974	11.63	10.29	12.04
Apr. 1, 1974	14.87	14.07	15.50

[1] Jan. 1, 1974, prices were estimates provided to the military services for budget planning purposes only. Prices were not actually changed until Feb. 1, 1974.

Chairman MCCLELLAN. Proceed.

RETIRED PAY CPI INCREASE

Mr. MCCLARY. The increase of $353 million in military retired pay is the additional amount required to cover compensation of retirees due to the cost-of-living increase to be granted July 1, 1974. The law provides for an automatic increase in payments to retired military personnel whenever the cost of living increases by 3%, as measured by the Consumer Price Index, and continues at or above that level for three consecutive months. Under this formula, an increase of 6.4% becomes effective July 1, 1974.

Chairman MCCLELLAN. Explain how the retired pay 6.4% increase results in $353 million increase. This isn't a straight 6.4% of the $5,687,000,000 original FY 1975 estimate.

Mr. MCCLARY. This is true. The amount required to cover the cost-of-living increase which became effective July 1, 1974 is $353 million, whereas, 6.4% of the previously requested $5,687,000,000 is $363,968,000.

Persons who retired *since* the most recent increase in basic pay do not receive the full percentage increase applicable to persons on the retired rolls *before* that basic pay increase became effective. This accounts for the fact that the additional amount requested because of the July 1, 1974 retired pay increase is less than 6.4% of the total original fiscal year 1975 retired pay estimate.

Chairman MCCLELLAN. Proceed.

WAGE BOARD INCREASE

Mr. MCCLARY. The $139.6 million requested for wage board increases derives from a one-time adjustment in rates of pay, effective May 1974, to elevate the pay of wage board personnel to that of the private sector. Upon expiration of the Economic Stabilization Act on April 30, 1974, area wage-fixing authorities were required to increase the rates of pay of wage board personnel to those rates that would have been granted had wage controls not been applicable. These increases for the months of May and June of this year are being absorbed within available funds. The full-year effect of these increases, $139.6 million, was not included in the original fiscal year 1975 budget request.

PAY ADJUSTMENT OF WAGE BOARD EMPLOYEES

Chairman McCLELLAN. What is your estimate of the supplemental request which will come later in the year to adjust the pay of wage board employees to that of prevailing rates during fiscal year 1975? Why was this not accommodated in the budget amendment?

Mr. McCLARY. Our current estimate for wage board employee pay increases during fiscal year 1975 is approximately $290 million. This projection is based on late fiscal year 1974 actual experience as reported by our various field activities and is based on (1) estimated wage board rate increases ranging from 5.5 percent to 8.9 percent and (2) when in the fiscal year the increases are expected to occur.

This was not included in this amendment, Mr. Chairman, because we only included the impact of actual legislative, rate and price changes. Projected future increases were not included. This is in accordance with current Office of Management and Budget policy respecting the operating appropriations.

Chairman McCLELLAN. Proceed.

Mr. McCLARY. These increases should not be confused with the regular wage board increases which will be granted by area wage-fixing authorities after July 1, 1974, through June 30, 1975. Such increases will adjust the pay of wage employees in line with prevailing rates in the appropriate area and must be accommodated by a supplemental appropriation request later in FY 1975.

Chairman McCLELLAN. Could you explain the wage board increases in greater detail. It seems that they are for increases that are a result of the private sector receiving greater than 5.5% wage increases while controls were in effect. Is this really what is happening? Would you provide some examples of the percentage increases in wage board pay being made as a result of this expiration of price/wage controls.

Mr. McCLARY. I will be happy to provide some examples for the record.

[The information follows:]

Examples of actual wage board rate increase as a result of lifting economic stabilization controls

Area (typical jobs)	*Percent increase*
Huntsville, Ala. (missile technicians, welders, carpenters)	6.9
West Point, N.Y. (painters, ground maintenance)	6.0
Tooele, Utah (munitions handlers, ammunitions specialists, crane operations)	7.1
Huntington, W. Va. (lock and dam tenders, bridge tenders, crane operations)	8.1
San Francisco, Calif. (tool makers, helpers, electricians)	5.7
Bremerton, Wash. (toolmakers, helper, electricians)	4.8
Norfolk, Va. (toolmakers, helpers, electricians)	2.9
Philadelphia, Pa. (toolmakers, helpers, electricians)	6.4
Syracuse, N.Y. (aircraft mechanic, laborer)	8.7
Ogden, Utah (aircraft mechanic, carpenter, painters)	8.3
Sacramento, Calif. (aircraft mechanic, carpenter, painters)	4.3
Albuquerque, N. Mex. (electrician, laborer)	8.0

FLIGHT PAY

Chairman McCLELLAN. Proceed.

Mr. McCLARY. An amount of $16.9 million is included in this proposed budget amendment to offset the increased cost of flight pay attributable to P.L. 93-294, dated May 31, 1974. This legislation adjusts existing monthly rates of incentive pay for an aviation career and increases the rates of pay for junior officers and decreases the rates of pay for senior officers. This adjustment in rates of pay is intended both as a retention incentive for junior officers and as an attempt to concentrate maximum incentive pay in the most flight-intensive period of an officer's career.

AVIATORS RATE OF PAY

Senator YOUNG. What will be the rate of flight pay for aviators under this new legislation?

Mr. McCLARY. The rates for flight pay under the new legislation will range from $100 to $245 per month for officer aviators depending on length of aviation service.

Chairman McCLELLAN. Proceed.

ENLISTED PAY

Mr. McCLARY. An additional $26 million is needed to cover the increased costs of enlisted personnel bonuses provided for under the Armed Forces Enlisted Personnel Bonus Revision Act of 1974, Public Law 93-277. Under this law, existing regular and variable reenlistment bonuses were replaced by a new selective reenlistment bonus of up to $15,000. Amounts of reenlistment bonuses will be based on the scarcity of the skill involved and will be paid on reenlistment of at least three years. The new law also authorizes initial enlistment bonuses of up to $3,000 for individuals in any critical skill, as opposed to combat skills only as provided under the old law.

ENLISTED BONUS SYSTEM

Senator YOUNG. Please explain the enlisted bonus system in terms of the minimum and maximum amounts an enlisted man may receive.

Mr. McCLARY. The maximum enlistment bonus authorized by law is $3,000. DoD is currently paying $1,500 or $2,500 for a four year enlistment in a qualifying skill depending on the Service and skill in which enlisting. The maximum reenlistment bonus by law is $15,000. However, the average bonus payment for a reenlistment in a shortage skill is programed at $6,943 for fiscal year 1975.

Chairman McCLELLAN. Proceed.

MEDICAL PAY

Mr. McCLARY. An increase of $44.6 million is necessary to meet additional costs deriving from Public Law 93-274, dated May 6, 1974. Under this new law, bonuses of up to $13,500 annually are authorized for medical officers of the armed forces in grades O-6 and below for each year the individual serves beyond his service obligation. Medical officers eligible for the new bonus will not receive continuation pay which is still authorized for general and flag officers. This new law also reduces from ten years to two years the amount of active duty service required by physicians to receive special pay at the maximum rate of $350 per month. The provisions for payment of continuation pay would be extended to medical officers undergoing initial residency training by Section 708 of the DoD Appropriation Bill, 1975.

MEDICAL PERSONNEL

Senator YOUNG. Does the Defense Department anticipate that the additional pay for medical officers will act to support retention as well as to attract young doctors into the services?

Mr. McCLARY. Yes. The program was designed to accomplish both retention and attraction.

PAY INCENTIVES

Senator YOUNG. Are the services satisfied with the additional pay incentives recently enacted by the Congress?

Mr. McCLARY. Yes. The services recognize that the recently enacted incentives provide a cost effective means of managing their manpower requirements and resources.

Mr. Chairman, this completes my statement. From my office I am accompanied by Fred Wacker, Deputy Assistant Secretary of Defense for Program/Budget. I am also accompanied by the Comptroller of the Army, Lieutenant General J. A. Kjellstrom of the Army, and the budget officers of the other two Military Departments; Rear Admiral E. W. Cooke of the Navy, and Major General H. Fish of the

Air Force. We will try to be responsive to any questions you may have, and to furnish you any additional information during your consideration of this request.

STATEMENT OF LIEUTENANT GENERAL JOHN A. KJELLSTROM

General KJELLSTROM. It is a pleasure to appear before this committee again to discuss the Army's requirements.

Before discussing the Army portion of this amendment, I would like to comment briefly on what the amendment does not include. As briefly mentioned in Mr. McClary's statement, no amounts are included for purchase price inflation other than direct petroleum costs. For the Army we currently estimate that purchase price inflation that has already occurred, not included in the original budget submission or this amendment, totals almost $850 million, of which over half is in the Operation and Maintenance appropriation. This deficit, which is required merely to preserve Army programs in the budget, is not caused by the Army, is not controllable by the Army, and will make it near impossible to execute the program we have previously justified. I am prepared to provide details regarding this.

VALUE OF DECREASED PROGRAMS

Chairman MCCLELLAN. In regard to your estimate of $850 million for purchase price inflation which has been absorbed, what do you estimate to be the value of programs which have been decreased since submission of the budget? Provide by appropriation.

General KJELLSTROM. Decreases in the FY 75 Army budget since submission total $447.3 million. I will provide details for the record.

[The information follows:]

BREAKDOWN OF ARMY BUDGET AMENDMENT

General KJELLSTROM. The Army's FY 1975 Budget Amendment composed of the following:

Fuel cost increases	$194,000,000
Wage board increases	34,900,000
Flight pay	3,900,000
Enlisted pay	17,700,000
Payments to medical officers	16,300,000
Total	267,700,000

Description	OMA	Proc.	R. & D.	Total
Anticipated authorization reductions:				
Aircraft programs (APA)		−6.7	+4.5	−2.2
Dragon (missile)		−19.8		−19.8
Turret trainer (W. & T.C.V.)		−1.5		−1.5
M-113 APC (W. & T.C.V.)		+14.6		+14.6
ARSV (W. & T.C.V.)		−25.3	−3.9	−29.2
Vulcan/Chapparal (missiles)		+2.3	−4.2	−1.9
Heavy lift helicopter			−21.2	−21.2
Site defense			−37.0	−37.0
LOFAADS			−14.0	−14.0
CLGP			−6.3	−6.3
Safeguard			−15.8	−15.8
General reduction for sales			−7.8	−7.8
Other R. & D. items			−8.5	−8.5
Civilian ES reduction	−123.7			−123.7
Other program changes:				
Gap filler	−1.2			−1.2
Training device, nonsystem (OPA)		−6.0		−6.0
Ammo—MASF PY unobligates balance		−160.0		−160.0
Ammo production base support		−5.8		−5.8
Total	−124.9	−208.2	−114.2	−447.3

FUEL COST INCREASES

General KJELLSTROM. Estimated fuel consumption by the Army in FY 1975 reflects a continuation of conservation measures implemented in FY 1974—and represents consumption more than 15% below the FY 1973 levels. In spite of these conservation actions, the price of fuel far outstrips any consumption savings. Fuel price increases announced on 1 April 1974 results in a requirement above the amounts in the original budget submission of $194.9 million:

[In millions of dollars]

	OMA	OMAR	MPA	Total
For direct procurement of POL	35.1	0.1		35.2
For increased rates by AIF activities due to POL	13.6			13.6
Military airlift command rates	12.9		6.7	19.6
Military sealift command ratios	122.7		3.8	3.8
Total	184.3	.1	10.5	194.9

Following are tables III and IV relating to POL consumption and POL cost increases.

[The tables follow:]

Table III

DEPARTMENT OF DEFENSE FY 1975 BUDGET AMENDMENT
POL CONSUMPTION

(In Millions of BBLS)

	FY 1975 President's Budget			FY 1975 Amended Budget	Difference
	FY 1973	FY 1974	FY 1975		
O&M, Army	19.3	17.0	16.1	16.1	-
O&M, Navy	72.5	61.6	65.6	64.3	-1.3
O&M, Marine Corps	1.6	1.6	1.4	1.4	-
O&M, Air Force	117.2	93.0	96.0	87.1	-8.9
O&M, Defense Agencies	.4	.6	1.0	1.0	-
O&M, Army Reserve	.5	.6	.5	.5	-
O&M, Navy Reserve	3.2	3.2	2.7	2.8	+.1
O&M, Marine Corps Reserve	.1	.1	.1	.1	-
O&M, Air Force Reserve	1.9	2.1	1.9	1.9	-
O&M, Army National Guard	1.2	1.4	1.5	1.5	-
O&M, Air National Guard	8.4	8.2	7.2	7.2	-
Subtotal, O&M	226.3	189.4	194.0	183.9	-10.1
Army Industrial Fund	1.5	2.2	2.2	2.0	-.2
Navy Industrial Fund	22.1	16.9	16.1	9.8	-6.3
Marine Corps Industrial Fund	-	-	-	-	-
Air Force Industrial Fund	24.8	23.0	27.4	26.4	-1.0
Subtotal, Industrial Fund	48.4	42.1	45.7	38.2	-7.5
Research, Development, Test and Evaluation	4.3	3.5	3.7	3.7	-
Procurement	.5	.5	.5	.5	-
Total Department of Defense	279.5	235.5	243.9	226.3	-17.6

Table IV

DEPARTMENT OF DEFENSE FY 1975 BUDGET AMENDMENT
POL COST INCREASES

(Dollars in Millions)

	FY 1975 Direct Costs				
	President's Budget	Amended Budget	Increase	Rate Increase	Total Increase
O&M, Army	201.7	236.8	35.1	149.2	184.3
O&M, Navy	677.1	942.5	265.4	54.3	319.7
O&M, Marine Corps	16.6	20.0	3.4	4.9	8.3
O&M, Air Force	1,077.3	1,306.0	228.7	75.6	304.3
O&M, Defense Agencies	11.7	11.7	-	-	-
O&M, Army Reserve	6.6	6.7	.1	-	.1
O&M, Navy Reserve	33.5	41.1	7.6	-	7.6
O&M, Marine Corps Reserve	.7	1.0	.3	-	.3
O&M, Air Force Reserve	21.4	27.9	6.5	2.5	9.0
O&M, Army National Guard	21.2	21.2	-	-	-
O&M, Air National Guard	87.0	112.3	25.3	-	25.3
Subtotal, O&M	2,154.8	2,727.2	572.4	286.5	858.9
Military Personnel, Army				10.5	10.5
Military Personnel, Navy				13.1	13.1
Military Personnel, MC				1.5	1.5
Military Personnel, AF				10.5	10.5
Subtotal, Mil Pers.				35.6	35.6
Total, Department of Defense	2,154.8	2,727.2	572.4	322.1	894.5

Increased Rates by AIF Activities

Chairman McClellan. Explain the need for $13.6 million for increased rates by AIF activities due to POL.

General Kjellstrom. The $13.6 million is required in the O&MA appropriation to reimburse the Army Industrial Fund for the estimated costs of fuel to support OMA orders. The $13.6 million was based on a deficiency of $9.2 million in the basic budget estimate and $4.4 million POL price increase attributable to the 1 April 1974 rates.

Increased Costs

The increased costs related to operation and maintenance and continued readiness of active and reserve Army Units and activities amount to $184.4 million. Additionally, as a result of increased fuel prices, Military Airlift Command and Military Sealift Command passenger and cargo rates have increased in the amount of $10.5 million.

Change of Station Travel

Chairman McClellan. How much of the original fiscal year 1975 permanent change of station travel request was for Military Airlift and Sealift Command cargo and passenger costs?

General Kjellstrom. The original fiscal year 1975 PCS travel request estimated total Military Airlift Command expenditures of $90.0 million and total Military Sealift Command expenditures of $26.1 million.

Chairman McClellan. Proceed.

Wage Board Increase

General Kjellstrom. $34.9 million is necessary to provide for increased costs due to pay raises granted wage board employees on 1 May 1974 as a result of expiration of the Economic Stabilization Act on 30 April 1974. The Army absorbed the costs of the pay raise for May and June of this year with available resources.

This request also reflects increases above the fiscal year 1975 Army Budget submission due to legislation enacted this year related to flight pay, selective enlistment bonuses, and payments to medical officers.

Flight Pay

$3.9 million is required to implement the provisions of Public Law 93–294, dated 3 May 1974. This reflects an adjustment of monthly flight pay among both junior and senior officers and warrant officers with the adjustments favoring the junior officers and warrant officers who are in the most productive and useful stage of their flying careers. In essence, the provisions of the public law base the flight pay system on aviation service rather than rank and longevity, while simultaneously expressing the intent of Congress that flight pay be restricted to officers engaging and remaining in aviation service on a career basis.

Flight Pay Increases

Chairman McClellan. Why is there a manyear increase in the number of individuals receiving flight pay?

General Kjellstrom. This manyear increase is caused because officers in grades 0–6 and above, who had flight pay terminated on 31 May 1973, are once again eligible under the new legislation. In addition, some flight surgeons were changed from non-crew members to crew member status by the Surgeon General.

Enlistment Bonuses

An amount of $17.7 million is included in this proposal to cover increased costs of Enlistment bonuses as a result of PL 93–277, dated 10 May 1974. Army implementation of the PL provides for lump sum payment of a variable Enlistment bonus level depending on a soldier's Military Occupational Specialty (MOS). The bonuses range from the $2,500 level to certain combat *and* noncombat MOS' to the $1,500 level for certain non-combat arms specialties. An extensive screening was made to isolate those MOS in which an intensive effort was required to increase long term enlistments, with training cost and time being the principal factors considered.

Combat and Noncombat MOS

Chairman McClellan. Would you provide a list of the combat and non-combat occupational specialties, showing which ones will be receiving the new enlisted bonuses and how much they will receive, including an explanation of the bonus to be paid in each case.

[The information follows:]

Expanded enlistment bonus skills[1]

MOS and descriptor	*Projected bonus payments*[2]
$2,500 bonus level:	
12B—Combat engineer	2,436
15E—Pershing missile crewman	723
16P—Chapparral crewman	585
16R—Vulcan crewman	502
22L—Nike test equipment repairman[3]	3
27D—Lance missile system repairman	9
27H—Shillelagh missile system repairman	34
32E—Fixed plant carrier repairman[3]	35
35J—Aircraft fire control repairman[3]	14
46N—Pershing electrical—mechanical repairman	24
Total	4,365
$1,500 bonus level:	
05C—Radio teletype operator[3]	116
15D—Lance missile crewman	409
15J—Lance/Honest John fire direction assistant	24
16D—Hawk missile crewman[3]	598
17K—Ground surveillance radar crewman	350
21G—Pershing electronics material specialist[3]	17
27E—Wire-guided missile system repairman	26
31M—Radio relay and carrier attendant[3]	524
31S3—Field general COMSEC repairman[3]	7
31T3—Field system COMSEC repairman[3]	6
36H—Dial central office repairman[3]	6
45P—Sheridan turret mechanic[3]	27
45R—Missile tank turret mechanic[3]	76
52B2—Power generation equipment operator/mechanic[3]	1,593
55B2—Ammunition storage and operator specialist[3]	171
72B—Communications center specialist	587
Total	4,537

[1] Does not include infantry, armor, artillery skills previously authorized enlistment bonus.
[2] Projected bonus payments were based on training requirements defined as of January 1974. Training requirements will fluctuate overtime. Projections reflect only those bonus awards made from fiscal year 1975 funds.
[3] Open to WAC's.

Shortage Specialty Pay

Chairman McClellan. Will those who receive the new non-combat arms enlistment bonus continue to receive shortage specialty pay?

General Kjellstrom. Shortage specialty pay is only authorized for members of the career force and normally individuals who receive this bonus are not members of the career force. However, a few individuals who have left the service, remained out for more than 90 days, and then decided to rejoin the service may receive shortage specialty pay, if otherwise qualified. As you know Mr. Chairman, we are striving for the eventual elimination of all shortage specialty pay.

Medical Pay

An additional $16.3 million is needed to cover the increased costs of bonuses authorized for medical officers under the provisions of Public Law 93-274, dated May 6, 1974. Two principal provisions of the Public Law provide for $100 per month for physicians with less than 2 years active service and $350 per month for all physicians over 2 years; and a provision calling for variable incentive pay (VIP) to qualify physicians, 06 and below, who extend their term of

service. Payment is on an annual basis and ranges from $10,000 to $13,500 based on years of service and extension period. Estimates for this request are based upon the maximum rate of $13,500 pending refinement of DOD regulations prescribing use of the VIP.

Variable Incentive Pay to Physicians

Chairman McClellan. What are the regulations concerning variable incentive pay to physicians who receive $10,000 and who $13,500?

General Kjellstrom. Regulations concerning the variable incentive pay are currently being developed by Department of Defense. Prior to implementation, as you are aware, these regulations must be approved by the President. Payment of the yearly bonus will range from $10 000 to $13,500 depending on years of service and extension period. It is proposed that an individual with between four and thirteen years of service and contracts for four years will receive $13,500. $10,000 payments are proposed for individuals who have 26 or more years of service and contract for one year.

Mr. Chairman, This concludes my statement. I am prepared to answer questions on the details of the Army's request.

General Kjellstrom. Mr. Chairman, this concludes my statement. I am prepared to answer questions on the details of the Army's request.

Increase for Medical Specialty Pays

Chairman McClellan. Why is there a manyear increase for doctors receiving special pay and continuation pay and medical bonuses? Wasn't the increase just a rate increase?

General Kjellstrom. That's correct Mr. Chairman. The new legislation only increased the rate. The increase in manyears is caused because we ended fiscal year 1974 with a higher Medical Corps end strength than was initially projected in the fiscal year 1975 President's Budget. We initially projected an end strength of 4285 and we ended fiscal year 1974 with a 4433 end strength. Our projected end strength in the President's Budget was 4302 Medical Corps officers and our current projection for end fiscal year is 4512. These end strength changes caused the increased manyears.

Statement by Rear Admiral E. W. Cooke, Department of the Navy

Admiral Cooke. Mr. Chairman and Members of the Committee, it is my pleasure to appear today in support of Department of the Navy requirements within the proposed fiscal year 1975 Budget Amendment. A total of $444.0 million will be required in fiscal year 1975 to accommodate the impact of petroleum cost growth, increased wage board pay costs and certain legislated changes in military personnel entitlements. Distribution of this amount by category is as follows, with a further distribution by appropriation contained in Table I which appears at the conclusion of my statement.

	Thousands
Petroleum Cost Increase	$350,500
Increased payment for wage board employees	59,600
Enacted Legislation	(33,900)
Aviation Career Incentive Pay	5,600
Enlisted Bonuses	8,300
Medical Officer Bonus	20,000
Total	444,000

Admiral Cooke. I would now like to elaborate slightly on each of these items.

Petroleum Cost Increases

Funds originally budgeted in fiscal year 1975 for fuel purchase were based upon rates anticipated to be in effect on 1 February 1974. The impact of higher rates for certain Navy fuels actually implemented on that date, as well as subsequent 1 April 1974 price increases, will require an additional $350.5 million in order to execute fiscal year 1975 operating programs. Of this amount, $276.7 million relates to direct fuel consumption, with the balance of $73.8 million reflecting the impact of fuel-generated industrial fund rate increases by the Military Airlift and Sealift Commands.

Decreased Programs

Chairman McClellan. Are there any programs which have decreased since submission of the budget which can be applied to finance this budget amendment?

Admiral Cooke. There have been decreases in the flying and steaming programs below those levels originally budgeted, essentially equating to a reduction in planned fuel consumption. These have already been assumed, however, in arriving at our net fuel requirements reflected in the Amendment. I refer to this later in my prepared statement. There are, otherwise, no major program decreases from our initial submission.

It must be emphasized that requested additional funding is to compensate for cost increases only, and does not entail increase in program scope—in fact, revised fiscal year 1975 consumption on which these amounts have been computed is about 1.2 million barrels below the level originally submitted to Congress.

Change of Station Travel

Chairman McClellan. How much of the original FY 1975 permanent change of station travel request was for Military Airlift and Sealift Command passenger and cargo costs? Why does the Navy have a significantly greater percentage increase in PCS because of this MAC/MSC rate increase when compared with the Army and the Air Force?

Mr. McClary. The MAC and MSC requirements shown in the original budget requests for Navy was $77.2 million. There would appear to be a significantly greater percentage increase in PCS for Navy when looking at the total of MAC/MSC rate increase in comparison with the other Services. However, looking at them separately, it can be seen that the MAC rate increase is in proportion to the overall PCS program and that the MSC rate is significantly higher because of an increase in workload factors (a review of tonnage requirements indicates that Navy has gone up while Army and Air Force have decreased) and a more proportionately equal share of the original budget request. I would like to provide for the record a chart showing, by Service, a comparison of the original MAC/MSC budget requests and the increases.

[The information follows:]

MAC/MSC

[In millions of dollars]

	Army	Navy	Marine Corps	Air Force
MAC budget	90.0	57.0	20.0	107.0
Increase	6.7	4.5	1.4	6.9
MSC budget	26.0	20.0	5.0	21.0
Increase	3.8	8.6	.1	3.6

Increased Payment for Wage Board Employees

Incidental to expiration of economic controls on April 30, 1974, the Civil Service Commission has authorized wage board pay rate adjustments to achieve parity with the private sector. Wage board pay raises had previously been limited to 5.5%, a level also assumed in the fiscal year 1975 budget. Release of these controls, effective May 12, 1974 for Navy employees, has resulted in upward wage adjustment of up to 10% in certain geographic areas. Assuming a conservative 4% average increase, the annualized fiscal year 1975 effect is $66.7 million for Navy accounts, $7.1 million of which has been absorbed, resulting in a net fiscal year 1975 amendment request of $59.6 million.

Aviation Career Incentive Pay

The proposed additional funding is required to implement the provisions of Public Law 93-294, effective 1 June 1974, which provides for significant restructuring of the former flight pay system as a career incentive for officer personnel. The law contains a transition and save pay provision which covers a three-year period. The new system is based on years of aviation service and commissioned serviced as an officer rather than grade and pay entry date. Implementation of the restructuring and save pay provisions require an additional 5.6 million dollars for the Military Personnel Accounts.

Enlisted Bonuses

Proposed additional funding of $8.3 million is required to implement the provisions of Public Law 93–277, effective 1 June 1974, which provides payment of a Selective Reenlistment Bonus and terminates new payments under the existing Variable Reenlistment Bonus and Regular Reenlistment Bonus programs. It also includes an additional provision for an Enlistment Bonus in skills designated as critical. $1.3 million of the request equates to replacement of new payments for Variable and Regular Reenlistment Bonuses with the Selective Reenlistment Bonus. The balance of $7.0 million reflects projected costs of the new bonus for enlistment in critical skill areas.

Medical Pay

Additional funding of $20 million is required to implement the provisions of Public Law 93–274, effective 1 June 1974, which authorizes annual bonuses for certain medical officers. This is in amounts up to $13,500 per year. It also reduces required time in Service for payment of a maximum $350 per month special pay for medical and dental officers.

Special Pay for Dentists

Chairman McClellan. Why is there a revision in the number of dentists receiving special pay? Were dentists affected by the new legislation?

Admiral Cooke. Under the new legislation dental interns are now eligible to receive the monthly special pay. Thirty-two of the 52 man-year increase are dental interns. The remainder reflects an increase in projected dentist man-years based on more current strength information.

Special Pay for Doctors

Chairman McClellan. Why is there an increase in the number of doctors receiving special pay?

Admiral Cooke. Under the new legislation medical interns are eligible to receive the monthly special pay. The total increase since the Congressional Budget was 193 of which 150 are newly eligible medical interns. The remaining 43 represent changes in anticipated retention due to the new legislation.

Continuation Pay and Medical Bonuses

Chairman McClellan. Explain why there is a 70% increase in the number of doctors receiving continuation pay and medical bonuses. (Page 24)

Admiral Cooke. Of the 757 increase in the estimated number of doctors eligible to receive the continuation pay and medical bonuses 602 are pay grade 03 who were ineligible under the old continuation pay program. The remaining 155 are a result of estimating the number of physicians who would sign contracts under the new legislation.

Table on Budget Amendments

Chairman McClellan. Table I which you referred to at the opening of your statement will be inserted in the record at this point.

[The table follows:]

TABLE I
DEPARTMENT OF THE NAVY
FY 1975 BUDGET AMENDMENT
($ Millions)

	PETROLEUM COST INCR.	WAGE BOARD PAY COST	AVIATION CAREER INCENTIVE PAY	ENLISTED BONUS	MEDICAL BONUS	TOTAL
MPN	$ 13.1	-	4.6	7.0	20.0	$ 44.7
MPMC	1.5	-	1.0	1.3	-	3.8
O&MN	319.7	55.2	-	-	-	374.9
O&MMC	8.3	2.5	-	-	-	10.8
O&MNR	7.6	1.9	-	-	-	9.5
O&MMCR	.3	-	-	-	-	.3
TOTAL	$350.5	59.6	5.6	8.3	20.0	$444.0

Admiral COOKE. In summary, the currently proposed amendment of $444 million seeks only to adjust the fiscal year 1975 program for legislative or price changes now in effect, thereby precluding further degradation to operation and material readiness assumed in the budget.

Mr. Chairman, this concludes my formal statement. I stand ready to address any questions you may have.

STATEMENT OF MAJOR GENERAL HOWARD M. FISH

General FISH. Mr. Chairman and members of the committee, I appreciate the opportunity to present the Department of the Air Force's fiscal year 1975 Amended Budget.

The Air Force portion of the fiscal year 1975 amendment totals $404.5 million. The amendment is required for price and pay increases which were not known at the time the President's fiscal year 1975 Budget was prepared.

TABLE 1.—*Fiscal year 1975 amendment*

	(TOA millions)
Fuel cost increases	$349.1
Wage board	40.2
Subtotal (price increases)	389.3
Flight pay	6.9
Medical pay	8.3
Subtotal (legislative increases)	15.2
Total fiscal year 1975 amendment	404.5

As summarized in Table 1, the amendment is for essential funding requirements which are in addition to those fund requirements presented to this Committee this past Spring. The additional requirements are in two categories, Price Increases totaling $389.3 million and increases resulting from new legislation totaling $15.2 million.

Chairman MCCLELLAN. Is it not possible for a portion of the increases for petroleum products and wage board personnel to be accommodated within reductions which have occurred in planned programs subsequent to submission of the budget?

General FISH. The amendment request does take into account planned program reductions. The request for fuel price increases includes the application of a reduction of $68 million resulting from fuel conservation efforts. The amendment does not provide for purchase price inflation for commodities other than fuel. Significant additional costs in fiscal year 1975 will have to be accommodated within the planned programs because of the abnormally high rate of inflation.

The price increases are for the increased cost of fuels as announced by the Defense Fuels Supply Center on March 29, 1974 and for Wage Board pay parity adjustments necessitated by the expiration of the Economic Stabilization Act (Public Law 91–379).

Legislative increases are for medical and flight pay.

Table 2.—Fiscal year 1975 amendment

	(TOA millions)
Active Air Force:	
Operation and maintenance, Air Force	$335.8
Military personnel, Air Force	25.7
Total active	361.5
Air Force Reserve:	
Operation and maintenance, Air Force	10.6
Air National Guard:	
Operation and maintenance, Air National Guard	32.4

The active Air Force request is for $361.5 million. The Air Force Reserve requires $10.6 million and the Air National Guard $32.4 million for a total Air Force requirement of $404.5 million.

Operation and Maintenance, Air Force

The additional requirement in the Operation and Maintenance, Air Force appropriation is $304.3 million for fuel price increases and $31.5 million for Wage Board employee pay increases for a total of $335.8 million. Requirements by Budget Activity are summarized in Table 3.

TABLE 3.—OPERATION AND MAINTENANCE, AIR FORCE

[Total obligational authority, in millions of dollars]

	Fiscal year 1975 President's budget	Amendment	Fiscal year 1975 revised request
Strategic forces	1,426.9	135.7	1,562.6
General purpose forces	1,235.9	64.7	1,300.6
Intelligence and communications	564.1	12.6	576.7
Airlift forces	318.8	16.4	335.2
Central supply and maintenance	2,463.2	77.6	2,540.8
Training, medical, and other general personnel activities	1,011.0	23.2	1,034.2
Administration and associated activities	249.3	5.2	254.5
Support of other nations	250.4	.4	250.6
Total, operation and maintenance	7,519.4	335.8	7,855.2

The fuel products consumed by the Air Force which are affected by increases are aviation fuels, motor gasoline, distillates, and residuals. In addition to the direct consumption, the amount requested includes funds to reimburse the Airlift Service Industrial Fund and the Military Sealift Command for the Operation and Maintenance, Air Force's proportionate share of the fuel price increase passed on to the customers of these revolving funds.

Chairman McClellan. Provide the relative increases for aviation fuels, motor gasoline, distillates, and residuals.

General Fish. I will provide that information for the record.

[The information follows:]

	Price per barrel		
	Feb. 1, 1974	Apr. 1, 1974	Increase
JP-4	$11.63	$14.87	$3.24
Avgas	11.09	15.41	4.32
Mogas	10.29	14.07	3.78
Distillates	8.40	14.57	6.17
Residuals	8.57	12.94	4.37

Additional funds are required for Wage Board employee pay increases resulting from the expiration of the Economic Stabilization Act (Public Law 91-379). The Civil Service Commission has authorized pay adjustments, effective the first pay period after 30 April 1974, for Federal Wage Board employees whose pay increases had been held to 5.5 percent to comply with Federal Wage guidelines. That amount of increase did not provide parity with wages for similar work in the private sector.

A review of Federal Wage Schedules at 105 regions, in which Air Force activities are located, revealed the current wage schedules are behind prevailing rates by an average of 3.5 percent. Wage Board pay raises are authorized by 5 U.S.C. 5341, which requires the realignment of wages paid to Wage Board employees to match those prevailing in the private sector. To comply with the law, an additional $31.5 million is needed.

Military Personnel, Air Force

An additional $25.7 million is requested in the amendment for Military Personnel, Air Force. Requirements by Budget Activity are shown in Table 4.

TABLE 4.—MILITARY PERSONNEL, AIR FORCE

[Total obligational authority, in millions of dollars]

	Fiscal year 1975 President's budget	Amendment	Fiscal year 1975 revised request
Pay and allowances of officers	2,144.9	15.2	2,160.1
Pay and allowances of enlisted	4,269.0		4,269.0
Pay and allowances of cadets	18.9		18.9
Subsistence of enlisted personnel	397.9		397.9
Permanent change of station	612.0	10.5	622.5
Other military personnel costs	7.3		7.3
Total military personnel, Air Force	7,450.0	25.7	7,475.7

A total of $25.7 million is requested in this proposed amendment for Military Personnel, Air Force, to meet added requirements growing out of new legislation and fuel price increases. The revisions in the criteria for the entitlement and the method of computation for aviation career incentive pay in accordance with Public Law 93–294 have increased the fiscal year 1975 requirement by $6.9 million. Special pay and bonuses to be paid to physicians under the provisions of Public Law 93–274 will result in the payment of an additional $8.3 million during fiscal year 1975 to these medical resources. And finally, the remaining $10.5 million of the total is requested to meet the additional requirements caused by fuel price increases which have, effective 1 April 1974, raised the passenger and cargo rates for PCS travel through the Military Airlift and Military Sealift Commands.

Operation and Maintenance, Air Force Reserve

The Air Force Reserve Operation and Maintenance appropriation requires $9.0 million for the fuel price increase and $1.6 million for Wage Board employee increases. The amended estimate for fiscal year 1975 is shown in Table 5.

TABLE 5.—OPERATION AND MAINTENANCE, AIR FORCE RESERVE

[Total obligational authority, in millions of dollars]

	Fiscal year 1975 President's budget	Amendment	Fiscal year 1975 revised request
Mission forces	179.6	10.1	189.7
Depot maintenance	36.6		36.6
Other support	62.0	.5	62.5
Total, Air Force Reserve	278.2	10.6	288.8

Operation and Maintenance, Air National Guard

The Operation and Maintenance, Air National Guard appropriation requires $25.3 million for the fuel price increase and $7.1 million for Wage Board employee increases. The amended estimate for fiscal year 1975 is shown in Table 6.

TABLE 6.—OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

	Fiscal year 1975 President's budget	Amendment	Fiscal year 1975 revised request
Operation of aircraft	84.2	23.4	107.6
Logistical support	93.9	.9	94.8
Training support	414.3	8.1	422.4
Medical support	.6		.6
Servicewide support	3.1		3.1
Total, Air National Guard	596.1	32.4	628.5

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SUMMARY

Mr. Chairman, in summary, the Air Force portion of the fiscal year 1975 Amendment consists of $349.1 million for fuel cost increases, $40.2 million for Wage Board pay increases, $6.9 million for flight pay and $8.3 million for medical pay. In all $404.5 million in additional funds are required in fiscal year 1975. Table 7 is an appropriation summary of the amended request.

TABLE 7

	Fiscal year 1975 President's budget	Amendment	Fiscal year 1975 revised request
Operation and maintenance, Air Force	7,519.4	335.8	7,855.2
Military personnel, Air Force	7,450.0	25.7	7,475.7
Operation and maintenance, Air Force Reserve	278.2	10.6	288.8
Operation and maintenance, Air National Guard	596.1	32.4	628.5

MILITARY PERSONNEL, AIR FORCE/FLIGHT PAY REALIGNMENT

Chairman McCLELLAN. Explain the flight pay realignment criteria that resulted in a man-year increase.

General FISH. Sir, although there were changes in categorizations such as Flight Nurses and Other moved from crew status to nonrated crew status and Flight Medical Officers moved from nonrated noncrew status to crew status, the additional man-years are because of the restoration of aviation career incentive pay for O–6's and above as provided in Public Law 93–294.

MILITARY PERSONNEL, AIR FORCE/PCS

Chairman McCLELLAN. How much of the original fiscal year 1975 permanent change of station travel budget was for Military Airlift and Sealift Command cargo and passenger costs?

General FISH. Sir, the fiscal year 1975 President's Budget included the following costs for Military Airlift and Sealift Command cargo and passengers:

	Cost (in thousands)
Military Airlift Command (MAC):	
Passengers	$60,921
Cargo	46,251
Military Sealift Command (MSC): Cargo	21,432

Defense Manpower Commission

STATEMENT OF ADM. LESTER E. HUBBELL, PRESENTING THE STATEMENT OF HON. CURTIS W. TARR, CHAIRMAN OF THE DEFENSE MANPOWER COMMISSION

ACCOMPANIED BY DENNIS CONDIE, ADMINISTRATIVE OFFICER, DEFENSE MANPOWER COMMISSION

PREPARED STATEMENT

Chairman McClellan. Now we will hear from Admiral Hubbell of the Defense Manpower Commission.

Admiral Hubbell. I would like to present the statement of our chairman for the record. Would you like me to read it, sir?

Chairman McClellan. It will be printed at this point in the record of the hearings along with questions to be answered.

Admiral Hubbell. This is from Curtis W. Tarr, who is our Chairman.

[The statement follows:]

Admiral Hubbell. Mr. Chairman, Members of this Committee: It is my privilege to present to you the budget of the Defense Manpower Commission to cover its operations during Fiscal Year 1975. We seek an appropriation of $1.1 million for the coming year.

The Commission was established by Title VII of Public Law 93–155, the Department of Defense Appropriation Authorization Act of 1974. The Commission of seven members has the duty to "conduct a comprehensive study and investigation of the overall manpower requirements of the Department of Defense," to render interim reports to the Congress and to the President, and to submit its final report not later than 19 April 1976.

To those of you who are thoroughly familiar with Defense activities, a cogent answer must be given to the natural inquiry: "Why is another study necessary?" I believe an appropriate reply includes two parts. First, it is prudent to ask an independent group to study and evaluate programs in detail in order to make a judgment either that these are being undertaken with imagination and care or to offer proposals that would improve them. This type of review is by no means exclusively a governmental exercise in caution; we all know the extent to which businesses, foundations, universities, and public service organizations utilize professional outsiders for similar activities. The necessity for such inquiries in the Federal Government is somewhat more impressive owing to the large scale of the programs being administered, the plethora of information concerning them, and the difficulties facing these who have responsibility for oversight of them, chiefly Members of Congress and Presidential Appointees, to thoroughly understand the myriad of their important facets.

But those Senators and Congressmen who proposed the creation of the Commission also had more specific objectives. The first approach to saving in the Government is to eliminate programs that no longer can be justified, even though doing so may be a most painful process. The next consideration is to do efficiently those activities that need doing, taking into account both immediate and distant costs. Each of these principles may have relevance as we view the manpower activities in the military services. Specifically, we must respond to several questions:

1. What are the true needs for manpower in the Department of Defense and in the Armed Forces, both currently and prospectively over the next

ten years, including active duty and reserve military men and women, civilians, and contract personnel?

2. How can manpower be utilized more effectively? This question includes a concern for the relative mixtures of uniformed personnel and civilians, males and females, and the numbers assigned to combat as contrasted with support activities; an evaluation of the recruitment and retention of personnel; and an appraisal of the programs for training, education and

3. What kinds of managerial instruments should be available both to the Presidential Appointees and Members of Congress to improve their control over manpower programs?

Thus the responsibilities of the Commission are broad and its specific concerns may be vital. Whether progress is made will depend upon the manner in which the Commission organizes its activities. We Commissioners have decided to operate with a small staff of the most able people we can recruit, working under the direction of a distinguished Executive Director. In the budget we have submitted to you, we estimate that we will have 26 permanent positions, including all secretarial and administrative persons who support the senior specialists. We do not intend to undertake extensive original work but rather to draw upon the abundance of information that already exists, to update it, and then to evaluate ideas old and new to search for the relevant propositions that could facilitate significant improvement. Specifically we plan now to appoint Associate Directors for each of the following areas:

1. Manpower Requirements
2. Manpower Utilization
3. Reserve Forces
4. Recruitment
5. Comparisons With Other Nations
6. Career Programs (Training, Education and Advancement)
7. Compensation
8. Organization and Management Control

We have not yet hired professional members of the staff but we have interviewed many prospective candidates and intend to make commitments soon.

The seven Commissioners have begun an extensive program of briefings and study designed to familiarize them with the problems that exist. Probably each Commissioner will tend to specialize in the areas of concern of the Associate Directors as our studies proceed. Also, we intend to utilize consultants for specific activities of inquiry or evaluation, as well as non-paid advisors. Ultimately, the Commission must weigh the suggestions that have come from the staff and other sources in the process of formulating final recommendations.

I feel honored to be able to work with a distinguished Commission, particularly our Vice Chairman, the Honorable Hastings Keith, recently a Member of Congress from Massachusetts and a Reserve Officer. The Commission is fortunate to include the Honorable Karl Bendetsen, formerly Under Secretary of the Army and more recently a corporate executive; Mr. Britton Gordon, a businessman long associated wtih the Army and our Reserve Forces; Mr. Arthur Haley who has had a lifetime of experience in the educational, public relations and promotional activities of business; Rear Admiral Lester Hubbell, a retired naval officer with extensive fleet and personnel experiences; and lastly, Dr. Norma Loeser, Associate Professor of Business Administration at the George Washington University and a former officer in the U.S. Air Force. Thus, the Commissioners have both experience and the wisdom that comes from enlightened action to undertake this important work.

Mr. Chairman, I have confidence that this Commission will perform in a creditable way to the substantial advantage of the nation. With this expectation of achievement, I ask your support of our budget request.

Staff of Defense Manpower Commission

Chairman McClellan. When do you expect to have completed hiring members of the Staff?

Admiral Hubbell. At present, the Commission can hire staff only to a level consistent with the limited funding available under the continuing resolution. Full staffing will not be reached until after the passage of the Commission's appropriation. Although the actual hiring cannot take place because of the funding problem, the identification and interviewing of potential staff members will continue.

Chairman McClellan. How much does the Commission plan to obligate during the first quarter of the Fiscal Year under the Continuing Resolution Authority?

Admiral Hubbel. At present, it is estimated that the Commission will have obligated approximately $120,000, by the end of the first quarter of Fiscal Year 1975.

Chairman McClellan. Does the Commission intend to restudy the entire question of military compensation as was done when the "Hubbell Plan" was proposed?

Admiral Hubbell. No, much of the "Hubbell Plan" has already been enacted into law. We are hiring, hopefully, two people who worked on the original plan—John A. McTighe on Retirement and Benefits and Jerry Julius on active duty compensation—to update the major thrust of the recommendations. That thrust was the salary plan and a close tie to the Civil Service System—a concept of one employer, one basic system. This will be part of the Commission's efforts.

Chairman McClellan. Are all the members of the Commission currently participating in the briefings you mentioned?

Admiral Hubbell. Yes, to the best of their ability. All briefings are being taped and each Commissioner who must miss a briefing has the tape of that briefing sent to him with copies of charts used, etc., so all do obtain the benefit.

Chairman McClellan. What kinds of comparisons with other Nations are contemplated?

Admiral Hubbell. The Commission has hired for this area of study Mr. Kenneth Coffey, who will be reporting for duty at the end of this month. He has been conducting research in London for the past 2 years on this particular subject and will be bringing the results of his efforts to the Commission in the form of a doctoral thesis. At present, the particular direction of the effort in this area has not been defined. This will be determined after the analysis of presently available research. The Commission does not plan any overseas trips at this time.

Chairman McClellan. When do you expect to have completed hiring all members of the Staff?

Admiral Hubbell. At present, the Commission can hire staff only to a level consistent with the limited funding available under the continuing resolution. Full staffing will not be reached until after the passage of the Commission's appropriation. Although the actual hiring cannot take place because of the funding problem, the identification and interviewing of potential staff members will continue.

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BUDGET REQUEST

Admiral HUBBELL. It is my privilege to present to you the budget of the Defense Manpower Commission to cover its operations during fiscal year 1975. We seek an appropriation of $1.1 million for the coming year. The commission's plan is to have a small commission staff of high quality.

I believe, Senator, you know Mr. Tom Morris. He has been working with us as actually the prospective chairman of our advisory committee. We expected to have him as the executive director, that didn't work out, so he has worked with me on the study plan and the formulation of our plan to do the commission work.

We intend to hire a staff of about 26 people, all producers, we don't expect to have a large staff and the commission members expect to get fully involved in the work of the commission.

Chairman MCCLELLAN. How many commissioners are there?

Admiral HUBBELL. Seven commissioners, sir.

Chairman MCCLELLAN. How are they paid?

Admiral HUBBELL. Commissioners will be paid on a per diem basis at the rate of $36,000 a year, but the maximum that they can earn is $18,000 a year because of an established policy of the commission setting 130 days as the maximum number of days a commissioner can work.

In our budget we showed——

Chairman MCCLELLAN. How large a staff do you propose to have?

Admiral HUBBELL. Twenty-six people.

Chairman MCCLELLAN. A total of 26 people?

Admiral HUBBELL. That is our expectation, yes, sir. We have hired at the present time, or made obligations to about 13 people.

Chairman MCCLELLAN. What is the life of this commission?

Admiral HUBBELL. Two years, sir. And the authorization was $2.5 million, and we are asking for $1.1 million with the carryover from the preceding year.

Chairman MCCLELLAN. What was appropriated last year for the Defense Manpower Commission?

Admiral HUBBELL. $400,000, of which we have spent about $50,000.

Chairman MCCLELLAN. So you expect to have available to you this year $1,300,000?

Admiral HUBBELL. That is right, sir.

Chairman MCCLELLAN. Would you expect next year to increase that?

Admiral HUBBELL. I hope not. We expect to stay within the authorized amount.

Chairman MCCLELLAN. Which is?

Admiral HUBBELL. $2.5 million.

Chairman MCCLELLAN. I hope you will stay within that limit.

Admiral HUBBELL. Thank you, sir, we plan to.

PREPARED STATEMENTS BY SENATOR MONTOYA

Chairman MCCLELLAN. Prepared testimony was received from Senator Montoya subsequent to the printing of previous volumes. He has requested that the statements be included in the record. The statements will be received and placed in the record at this point.

[The statements follow:]

ACQUISITION OF RANCHES WITHIN THE BOUNDARIES OF THE WHITE SANDS MISSILE RANGE

Mr. Chairman, I am pleased to be able to testify today on a matter which is of vital concern to many ranch owners in the area of the White Sands Missile Range in New Mexico. This matter concerns whether or not these ranchers will be justly compensated for land which they used under the authority of the Taylor Grazing Act. A brief outline of the historical background of these lands should help to make the present situation more understandable.

The federal government acquired the use of these lands by entering into "Lease and Suspension Agreements" with the ranch owners in the latter part of 1949 and early part of 1950. I am including a specimen copy of one of these agreements for the record. The agreements included provisions whereby the United States leased not only the fee lands and the state grazing leases, but also the public domain on which the ranchers held grazing permits under the Taylor Grazing Act, and the lease payments provided thereunder were sanctioned administratively under the provisions of 43 U.S.C.A. 315q.

Under the provisions in these agreements the leases were on a year-to-year basis, renewable at the exclusive option of the federal government for a period of 20 years. The "suspension" announced by the government at the time the agreements were entered into provided that the grazing permits on the public domain would be in a suspended status during the term of the lease agreements. The actual suspension occurred through the issuance of Public Land Order 833 in May, 1952.

Despite the express wording of paragraph 11 of the Lease and Suspension Agreements which obligated the government to continue payments of rental for the entire ranch unit if the government remained in possession after June 30, to honor the agreements after June 30, 1970, and just prior to this date filed 1970 (the expiration date of the agreements), and federal government refused condemnation proceedings in the U.S. District Court for the District of New Mexico to acquire leasehold interest on a year-to-year basis up to June 30, 1980.

These condemnation proceedings are still pending. The proceedings only involve fee and state leased land because the government has taken the position that notwithstanding the "suspension" part of the agreements on the public domain the grazing leases all terminated prior to 1959. This position was first made known to the ranchers when they petitioned the Secretary of Defense for administrative relief under the provisions of section 315 q previously mentioned.

Mr. Chairman, I believe these ranchers deserve compensation for these lands held as a result of the Taylor Grazing Act. It seems to me that there are several good reasons why we in the Congress should take action to assure that the ranchers are compensated for these lands.

First of all, based on a reading of both a document from the White Sands Missile Range command and a careful reading of the original Lease and Suspension Agreement, it is clear that the ranchers had every reason to expect that all of their land, including that provided as part of Taylor Grazing land, would be returned to them at the end of the 20 year lease. To quote the White Sands Missile Range Command document: "These agreements are worded in such a manner, as shown by the above clauses, to lead the rancher to believe that the Department of Army originally had every intention, at the end of the 20 year period, to return these lands to the rancher for his further use."

Since the Taylor Grazing Permit lands make up over 70% of the lands involved in the original lease agreement, a failure by the federal government to compensate the ranchers for these lands is both unjust and economically disastrous to the ranchers. This is especially the case when the ranchers had every reason to believe that they would someday be able to use these lands for grazing purposes again.

Secondly, there is a great deal of evidence to refute the Army's contention that these Taylor Grazing Permits have in fact been cancelled. The position of the Army Corps of Engineers that the grazing leases expired in 1959 is on its face absurd in view of the fact that the Lease and Suspension Agreements recognized the suspended status and as mentioned, the government paid rental for use of these permit lands during the full term of the Lease and Suspension Agreements. It seems rather inconsistent, to say the least, for the Army Corps of Engineers to publicly take the position that the leases expired in 1959 when in fact the

Army paid rental up through 1970, and as a matter of fact was obligated to continue payment beyond that time under the extension provisions of the Lease and Suspension Agreements.

Moreover, according to the records of the Bureau of Land Management (which agency has exclusive jurisdiction over the Taylor Permits) the Taylor Permits have remained in a suspended status at all times since the passage of Public Land Order 833. This, of course, is directly contrary to the determination made by the Secretary of Defense that the leases were cancelled or terminated in 1959. When this issue first arose, Mr. W. James Anderson, who at that time was state director of the Bureau of Land Management in New Mexico, was contacted by the ranchers. Mr. Anderson advised the ranchers that the position of the BLM was clear that Public Land Order 833 was only a conditional order, that it did not result in termination of the leases, and that by the expressed terminology of Public Land Order 833 and the provisions of the Taylor Grazing Act, leases would automatically revert to the prior owners immediately upon cessation of the government's occupancy. He further confirmed that according to the records of the BLM all these permits remained in the suspended inactive status and have never been cancelled.

Thus it would seem only fair that the ranchers should be compensated for grazing permits which in fact have never been cancelled. Further evidence of this lack of cancellation of the permits comes from the actions of the Internal Revenue Service.

The records of the Internal Revenue Service reflect the fact that throughout the entire period of time in question following the Lease and Suspension Agreements and the enactment of Public Land Order 833, the Internal Revenue Service, Estate Tax Division, consistently took the position that these Taylor Grazing Permits were in full force and effect and as a consequence thereof, the estates of many of these ranchers who died during the period in question were required to pay estate taxes on the value of the Taylor Grazing Permits, which value was assessed on the ratio bearing between 33⅓ per cent and 50 per cent of the value of the deeded lands. Obviously these estate tax liabilities were very substantial. The only argument, and a very weak one at that, that the Corps of Engineers or the Justice Department has ever had to refute this inequity is the fact that what one branch of the government does has no relationship to what other branches of the government do and consequently the fact that the Bureau of Internal Revenue has continually maintained that taxes are owed for these interests was of no consequence whatsoever.

The ranchers have lost, through no fault of their own, thousands of dollars as a result of the unjustified and unilateral "termination" of Taylor Grazing Permits. Because of the representations of the government that the permits would simply be suspended and that all priority and preference rights would be retained by the ranchers, the ranchers were induced to continue full and complete payment of the state grazing leases included in the ranch units and as a matter of fact even as of today they are continuing to make these lease rental payments, although they have not had use of the property since prior to 1950. The reason for these payments is that they were necessary for the ranchers to continue the full ranch units in unity to protect the preference and priority rights to the federal Taylor Grazing Permits while in the suspended status. Otherwise, it would have been unnecessary for the ranchers to continue these payments which have amounted to thousands of dollars during the period of time involved.

There is substantial reason to believe that the federal government actually acted illegally in seeking condemnation proceedings on this land and in essence discontinuing rental payments for the Taylor Grazing Permit lands. Paragraph 11 of the "Lease and Suspension Agreements," reads as follows: "11. Provided that in the event that any Government property is located on the demised premises at the termination date, the rental will continue until such property is removed, restoration completed as provided for in Article 10 hereof, or a cash settlement and possession tendered to the Grantor."

The facts are undisputed that as of June 30, 1970, the claimed expiration date of the Least and Suspension Agreements, the government did in fact have property of various kinds and descriptions located on substantially all of the ranches in question. The clear, literal interpretation of the agreements, all of which are in the same form can only be that the government entered into a contractual obligation to continue lease payments under the Lease and Suspension Agreement until such time as the government property is removed, restoration completed, or cash settlement made in lieu thereof and possession tendered to the lessors. Despite the above provisions, and in disregard of the contractual provisions of

the government to continue the Lease and Suspension Agreements in effect in all cases where government property was located on the ranches, the government started condemnation proceedings just prior to June 30, 1970, in the Federal District Court of New Mexico for the purpose of taking a new leasehold estate on a year-to-year basis from July 1, 1970, to June 30, 1980. This is an identical estate with that which the leasee had under the terms and conditions of the Lease and Suspension Agreements, except that the amount of the rentals tendered to the respective ranch owners under the condemnation proceedings is considerably less than that formerly paid by the government under the Lease and Suspension Agreements.

Mr. Chairman, the ranchers in question have fully expected these Taylor Grazing lands to be returned to them for use as part of their ranches. For some 20 years they were unable to mortgage or sell their land. As was mentioned previously, some 70% of the land involved in these lease agreements with the federal government was Taylor Permit grazing land. Since 1970 there has been no compensation by the federal government whatsoever for use of these Taylor Grazing Permit lands. Thus the ranchers have been deprived of a significant source of revenue which they had every reason to believe would continue in the event that the grazing lands were not returned to them for their own use.

In this circumstance, Mr. Chairman, I feel that it is only fair that we should act promptly to give these ranchers the just compensation which they deserve. Consequently I am asking, and I hope you will support me in this request, that $13,948,120 be appropriated in the fiscal year 1975 budget for the Secretary of the Army to use in compensating these ranchers for loss of their grazing rights.

This figure is based on a fair market value of the ranch properties of $800 per CYL (Cow unit Year Long). The value of this grazing land based upon a carrying capacity of 22,000 cattle at $800 per CYL would amount to $17,600,000. From this figure should be deducted $1,575,880, which has already been paid for improvements on these ranches and in addition the $2,076,000 which has been appropriated and which is still available for acquisition. This would leave a net of $13,948,120 which it would be necessary to appropriate to use with the funds which are already available to compensate the ranch owners for the fair and reasonable value of their ranches, including their Taylor Grazing Permit lands.

Mr. Chairman, under the circumstances I feel this is the very least that we can do to treat these ranchers equitably and fairly. After all these ranchers have always acted in good faith toward the federal government. We have an obligation to do likewise in our actions toward them.

Additional Funds for Continued Operation of the Sandia Atomic Museum

Mr. Chairman. I am pleased to have this opportunity to testify in behalf of my request that $64,000 be added to the fiscal year 1975 Defense Appropriations bill in order to provide for the continued operation of the Sandia Atomic Museum in Albuquerque, New Mexico. In addition I would like to request authorization for the field command of the Defense Nuclear Agency to exceed by five positions the manpower ceiling established by the Department of Defense through DNA. This latter request is equally necessary for the continued operation of the museum.

The museum was founded in 1969 in the belief that the contribution of nuclear energy to our defense effort should be presented both to the educational community and to the public at large. The museum has served as an effective educational tool and as an important resource to the Albuquerque community. Since its inception it has been funded by the Defense Nuclear Agency. Last fall, DNA initiated action to locate a museum sponsor outside of the Department of Defense. The original plan was to continue Defense Department funding through fiscal year 1975 in order to allow time for another sponsor to be found. However, after an order was received in January of 1974, mandating a substantial manpower cut in the agency, fiscal year 1975 funds for the museum were deleted from the proposed budget.

Last fall the National Atomic Museum Foundation was formed in order to attempt to secure funding for the museum and thus prevent its closing. To date, the foundation, which is chaired by Mr. Ralph S. Trigg and comprised of other prominent Albuquerque residents, has been unsuccessful in locating a new sponsor.

On February 19, Senator Domenici and I introduced a bill (S. 3017) to authorize funds for the Atomic Energy Commission for the establishment of

a National Nuclear Museum. This legislation would provide for the continuation of the activities of the Sandia Museum. Unfortunately, the bill is not likely to be passed in time to provide the prompt relief necessary in this instance.

The current budget for the Sandia Nuclear Museum totals approximately $100,000. Museum officials estimate that the lowest possible budget allowing continued operation in fiscal year 1975 will be $64,000, $50,000 of which would go towards the salaries of the five civilian employees needed to operate the museum. Hence the request for the small but very important sum and manpower authorization.

Mr. Chairman, I trust that you and your colleagues will agree with me that the very worthwhile and laudable purpose which this museum fulfills clearly justifies this small additional appropriation to allow its continued existence.

SUBCOMMITTEE RECESS

Chairman McCLELLAN. That concludes our hearing for today.

The subcommittee stands in recess subject to the call of the Chair.

[Whereupon, at 2:50 p.m., Tuesday, July 16, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1975

WEDNESDAY, JULY 31, 1974

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS
Washington, D.C.

The subcommittee met at 10:35 a.m. in room S-126, the Capitol, Hon. John L. McClellan (chairman) presiding.

Present: Senators McClellan, Symington, and Brooke.

DEPARTMENT OF STATE

MUTUAL AND BALANCED FORCE REDUCTION NEGOTIATIONS

STATEMENT OF AMBASSADOR STANLEY R. RESOR, U.S. REPRESENTATIVE TO THE MBFR NEGOTIATIONS

ACCOMPANIED BY BRUCE C. CLARKE, JR., SECRETARY OF DEFENSE REPRESENTATIVE TO THE MBFR NEGOTIATIONS

STATUS REPORT OF NEGOTIATIONS

Chairman MCCLELLAN. The subcommittee asked Ambassador Resor to appear today to give us a report on the progress being made on negotiations in the mutual and balanced force reduction negotiations between the North Atlantic Treaty Organization and the Warsaw Pact.

Mr. Resor served as Secretary of the Army for 6 years, from 1965 until 1971. He is now the representative, in these negotiations that are now in progress. Since there are issues pending in the Congress and before the full Appropriations Committee of the Senate that involve the problems covered by these negotiations we thought we would like to have you give us a report, Mr. Ambassador. So we welcome you this morning and appreiciate your response to our invitation to be here.

You may proceed now in any way that you like.

Ambassador RESOR. Well, if it pleases you, Mr. Chairman, what I thought I would do is tell you roughly who the negotiations are between, how they are being conducted, what we proposed, what they propose, and where we are to date.

First, let me say I appreciate the opportunity to tell you and your committee about these negotiations in Vienna because we do think they are critically important.

Chairman MCCLELLAN. You do think they are critically important?

Ambassador RESOR. Yes, I do, sir. I felt that way long before they started. I felt that way when I was Secretary of the Army.

Chairman McClellan. How long have they been in progress?

Ambassador Resor. The substantive negotiations commenced October 30 of last year.

Chairman McClellan. About 10 months?

Ambassador Resor. That is right, 9 months, and they deal with Central Europe. The area that they deal with was defined in initial talks that took place in the spring of 1973. And the area as shown here on the map on the side of the West, it is West Germany and the Benelux countries—the Netherlands, Belgium, and Luxembourg—and on the East, East Germany, Czechoslovakia, and Poland. That is what we call Central Europe, and that is the area which we are concerned with. It is the reduction of troops and armaments in this area that we are negotiating.

Chairman McClellan. What countries are being represented?

Ambassador Resor. This is the area, and it is West Germany, the Netherlands, Belgium, and Luxembourg. Now it also includes the troops of other NATO allies that are in this area; namely, the troops of the United Kingdom, Canada, the United States, and France. [Delete.]

Chairman McClellan. We would like to know the strength—that is, stationed in those areas that your map depicts.

Ambassador Resor. Yes.

First, let me speak about the ground force manpower because we think that is the most significant force. They actually are more than 80 percent of the forces.

Chairman McClellan. These figures as I understand it are included in that area?

Ambassador Resor. That is right.

Chairman McClellan. It does not include backup forces on either side beyond that area?

Ambassador Resor. That is correct.

Now in the area on the NATO side we have 777,000 ground force manpower. That is soldiers. That does not include airmen.

Let me say right now that the Navy is out of this. The talks do not deal with the Navy on either side.

Chairman McClellan. As I understand it you are dealing with the confrontation or potential confrontation in this area where the Warsaw nations and the NATO nations are on the boundaries of those countries.

Ambassador Resor. Face each other, yes. I think it is interesting to note it is the largest direct military confrontation in the world. It is the most important. Of that 777,000 193,000 are U.S. soldiers.

Chairman McClellan. 193,000 is not our total strength in NATO?

Ambassador Resor. We have something a little over 300,000 in all of Europe.

Chairman McClellan. About two-thirds of NATO is stationed in this area.

Ambassador Resor. Correct.

Chairman McClellan. Proceed.

Ambassador Resor. We are talking, Senator Symington, about the troops in the area that we are dealing with in these negotiations in Vienna and this is the area and it includes West Germany and the Benelux countries on that side: East Germany, Czechoslovakia, and Poland here, and that is what we agreed with the other side to talk

about. This is the so-called reduction area, otherwise, we call it Central Europe.

On the Warsaw Pact side we estimate that the [deleted] soldiers, ground force personnel, of which we estimate that the U.S.S.R. has [deleted] or roughly half, and on our side you see our 193,000 is about 25 percent of the allied forces.

Now as to armaments, we think the most important of the conventional armaments are the tanks, and there we have 6,000 tanks in active units on the NATO side versus 15,500 on the other side. So they have about a 2½ to 1 advantage in tanks. Those are the most important, we think, military elements in the area.

Chairman McClellan. Is that factor B?

Ambassador Resor. No, factor 8. It is what we call the geographical disparity. It is the distance. If the Soviets and the United States withdraw, the Soviets—if they withdrew only to their western military districts, have to go back 650 kilometers and roughly 400 miles, whereas our troops come back to the United States, 3,000 miles, or 5,000 kilometers.

It is these three disparities—the disparities in ground force manpower, and tanks, and this geographical disparity—that we try to deal with in our proposal for reductions. I will come to that in just a minute, but before I do I thought it might be helpful to tell you what countries are involved in these negotiations.

On our side we have seven what we call direct participants. Those are the countries that either have territory in the area or troops in the area, and these are the countries that would be expected—they are potential signers of an agreement—to reduce and——

Chairman McClellan. What?

Ambassador Resor. They are expected to sign any reduction agreement.

Chairman McClellan. I see.

Ambassador Resor. By contrast we also have with us five flank countries who are there who participate in the negotiations but who are not expected to reduce, but who are interested in the outcome because they don't want to be adversely affected by any withdrawal that the Soviets make. For example, the Turkish Government is present, and they would not want the Soviets to restation the troops they withdraw near Turkey, so they have an interest. They are there as participants, but on a special basis. Their troops and their territory are not directly involved.

Now of the seven on our side who are directly involved—we have the Federal Republic of Germany, the United Kingdom, Belgium, Canada, Luxembourg, and the Netherlands. In other words, it is the countries that I showed you that are in the area.

Chairman McClellan. How many countries are involved in the area?

Ambassador Resor. The countries that have territory in the area are West Germany, the Netherlands, Belgium, and Luxembourg, but then in addition to that there are other countries that have troops stationed in the area—the United Kingdom, and so does France, and so does Canada.

Now France is not a party to the negotiations, but they do have two divisions or roughly [deleted] soldiers in the area, and their soldiers

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would be subject to the agreement, but they would not be expected to be signers.

Chairman McClellan. They are not in NATO in any way, are they?

Ambassador Resor. They are not in any formal sense part of the NATO military apparatus, but the presence of those soldiers is governed by a bilateral arrangement between them and West Germany.

Chairman McClellan. Where does France have troops stationed?

Ambassador Resor. They have them stationed down here in this part of Germany [indicating]. Remember, after the war they ended up with a sector in Germany around Baden-Baden. Their headquarters is in Baden-Baden. They have two divisions.

Then as I said, we also have the flank countries on our side. That is, on the north we have Denmark and Norway present, and on the south we have Italy, Greece, and Turkey.

Now on the other side they have four direct participants, four countries whose troop levels would be affected in the area. East Germany, Czechoslovakia, Poland, and the Soviet Union.

Chairman McClellan. Is any of Soviet Union territory in this area?

Ambassador Resor. No. See, it stops right here at the boundary. These are called the western military districts.

Chairman McClellan. The Soviet Union has some [deleted] troops?

Ambassador Resor. Yes, [deleted] troops. Ground forces.

Now on the eastern side we have these direct participants who might be expected to sign the agreement. In addition there are three flank countries on their side, namely, Hungary, Rumania, and Bulgaria.

Chairman McClellan. Do any of those countries have troops in the area now?

Ambassador Resor. No, not in the reduction area. They are like Greece and Turkey and Italy. Their troops are in their homelands, but they are interested in the outcome of this because they are contiguous.

Chairman McClellan. Proceed.

Ambassador Resor. All right. Now let's have the second chart.

As I indicated, these are what we see are the three major disparities which must be dealt with in any agreement to make it satisfactory to the United States, because our first goal in this negotiation is to achieve troop reductions which improve the stability in the area. We believe that the existing disparity in ground forces is a destabilizing factor in the area.

Chairman McClellan. [Deleted.]

Ambassador Resor. Yes, a [deleted] troops disparity and this advantage we feel creates a situation where there is a temptation to the East to, if not use, to threaten the use of force to influence political decisions, particularly by the West Germans.

Chairman McClellan. What is the difference in quality of those tanks?

Ambassador Resor. Well, I will ask Mr. Clarke to speak to that more precisely, but we don't think that there is a great deal of difference in the capability of their tanks and our tanks.

Chairman McClellan. Are you saying then in general terms that so far as tank power they have about 2½ times the strength as NATO forces?

Ambassador RESOR. Yes. Now we have greater antitank capability. We focused on that more. But when it comes to tanks, the threatening force, the force that we think has political weight, the tanks and the overhang of ground troops, they have this superiority.

Now notice I have not talked in terms of divisions, because the divisions are different in size. I don't think that is helpful. I have talked of the soldiers and tanks, which I think are comparable.

Chairman MCCLELLAN. What would be the effect of our advantage?

TROOP ADVANTAGE

Ambassador RESOR. I myself cannot quantify that at the moment. I would be glad to supply that for you. I don't have the numbers with me.

[The information follows:]

Our most recent estimates of NATO light, medium and heavy antitank weapons in units in the NATO guidelines area (NGA) is about [deleted] weapons. Of this total, [deleted] weapons are in United States Army units. Current intelligence estimates of the light, medium and heavy anti-tank weapons held in units in the NATO guidelines area credit the Warsaw Pact with about [deleted].

Within the NGA, NATO currently has about [deleted] anti-tank weapons for each Warsaw Pact medium and heavy tank. Reinforcement for both sides from outside of this area probably would retain about the same ratio or possibly favor NATO slightly. Whether this numerical advantage actually offsets the Warsaw Pact tank advantage is very uncertain. For example, the relatively short maximum effective ranges of many of the older anti-tank weapons make them very vulnerable to destruction by the tank before they become lethal. While the defender is provided some tactical advantage from the terrain, the initiative for massing and selecting the point of attack rests with the attacker. Whether NATO would be able to achieve timely and sufficient density of anti-tank weapons at all points to counter the attack is uncertain. Furthermore, the effects on the battle of complimentary weapons systems such as indirect fire mortars and artillery and even tactical air must be considered. Thus it is difficult analytically to separate out from the overall force balance the tank/antitank relationship.

ANTITANK CAPABILITY EFFECT ON SOVIET MANPOWER

Chairman MCCLELLAN. From a military standpoint would our antitank capabiliy offset their numbers?

Ambassador RESOR. Secretary Schlesinger has stated that he thinks that we have the capability to have a rough balance even on a conventional basis. I don't think he asserts that we have one today.

Chairman MCCLELLAN. I think you have to know these facts if you are going to do the negotiating.

Ambassador RESOR. Yes; the other side quotes to me Secretary Schlesinger's comments quite frequently, and I am familiar with that.

The second point I would like to make is that we think that a more direct equal reduction in numbers of forces on both sides, or even an equal percentage reduction would not improve stability but it would rather make matters worse because it would make more significant the reinforcement capability. The Soviets are closer to the area than we are and with a lower troop level in the area their capability to reinforce, or bring troops in from outside the area becomes more significant.

Chairman MCCLELLAN. If you reduce percentages by 10 percent, we would reduce by 600 and they would reduce by 1,500.

Ambassador RESOR. That would be right, if we sought tank reductions.

Chairman McClellan. So it is on that basis that you seek reductions?

Ambassador Resor. No; we seek more than that. I will get to theirs in a minute. They offer equal percentages of the totals here, and of all totals in the area.

First let me tell you what kind of agreement we think would be helpful to NATO and the United States. We think first of all, that the reduction should be primarily in ground forces because that is where the disparity is that creates what we believe is the existing instability. [Deleted.]

Chairman McClellan. Let me ask one other question. Why cannot Western Europe with their equal population match the ground troops of the other powers in the Warsaw Pact?

Ambassador Resor. Well, first let me point out that they now have supplied 75 percent of the forces in this area.

Chairman McClellan. Let's go back a minute. What is the population of the Warsaw Pact countries, including Russia?

Ambassador Resor. I don't have that on the tip of my fingers.

Chairman McClellan. How does that compare with the population of the NATO countries?

Ambassador Resor. It is substantially the same, I think.

Chairman McClellan. I am referring about Western European NATO countries only.

Ambassador Resor. My impression from studying this in the past is that Western European elements in NATO are substantially the same.

Chairman McClellan. Do you keep these figures in mind as you negotiate?

Ambassador Resor. They have not become pertinent to our negotiations because we have agreed to talk solely about the area. We try to keep focused on that because we think it is more businesslike to do that with the Soviets. We think that is one of the steps forward that we made, is to narrow the focus of the negotiations because——

POPULATION COMPARISONS

Chairman McClellan. Is not the population of Western Europe the same as that in the Warsaw Pact countries?

Ambassador Resor. It is my impression that it is. I would like to check that for the record, but I think that is correct. I would assume it is.

We will supply those figures for the record.

[The information follows:]

POPULATION COMPARISONS

1. The indigenous population of the area of the reductions, the NATO Guidelines Area (NGA) provides NATO an advantage of 4:3. (Belgium, Luxembourg, Netherlands, Germany Czechoslovakia and Poland.)

NGA indigenous population:	
NATO	85,749,000
Warsaw Pact	65,257,000

2. The NATO margin is somewhat larger if the total national population of all nations with troops stationed in the NGA are compared. Adding France, Canada, the United States and United Kingdom to the NATO side and adding the Soviet Union to the Pact side gives NATO almost a 5:3 advantage.

Population of nations with troops in the NGA:

NATO	428, 770, 000
Warsaw Pact	317, 450, 000

3. The addition of all other members of the two Alliances does not alter the 5:3 ratio.

Population of all Alliance members:

NATO	549, 876, 000
Warsaw Pact	357, 672, 000

4. If the United States and Canada are excluded as the Chairman suggests, the advantage falls to the Warsaw Pact. (Soviet Union included as European).

Population of all European Alliance members:

NATO	281, 895, 000
Warsaw Pact	357, 672, 000

5. The Warsaw Pact advantage is greatest in a comparison of the direct participants in MBFR, excluding the United States and Canada. Then the Pact has a 3:1 margin.

Population of European direct participants in MBFR:

NATO	141, 833, 000
Warsaw Pact	317, 450, 000

6. By adding France, which has forces in the NGA but is not a participant in MBFR, the populations are still unequal.

Population of European Nations with troops in the NGA:

NATO	194, 481, 000
Warsaw Pact	317, 450, 000

PERSONNEL STRENGTHS IN EUROPEAN NATO COUNTRIES

Chairman McClellan. Now if the Warsaw countries can provide [deleted] troops, why can't the NATO countries in Europe, having a comparable population and equally as well developed industrially, if not more so, provide [deleted] troops?

Ambassador Resor. I think theoretically they could, under the dictatorial form of government such as the other side has.

I think one of the factors here is on our side we have an alliance of democracies, and it is harder in a democratic form of government, as I am sure you are aware, to allocate resources away from the civilian sector, away from a high material standard of living into the defense areas.

Chairman McClellan. So we have to pick up the tab is the point you are making. Since the NATO countries won't do it, the United States will have to.

Ambassador Resor. I, myself, would phrase it a little differently. I think it is in our self-interest. I don't think we are in Europe out of charity. I think we are there because it is in our self-interest to be there. If we cooperate with them and continue to maintain a reasonable level of force there, they will continue to do at least what they are doing now, and together we will have a viable deterrent.

Chairman McClellan. Would it be in our self-interest to provide all of the defense of Western Europe?

Ambassador Resor. No, it would not.

Chairman McClellan. If it is not in our self-interest to provide all of the troops, then I think our self-interest requires us to provide only our share of them and not pick up the tab where other NATO countries ought to provide their fair share of the manpower requirements.

Ambassador RESOR. Well, I think that is a very logical and equitable formula, but I think, unfortunately, we live in a hard world. I think that if our self-interest is at stake we ought to do what is necessary, but we ought to continue to keep very heavy pressure on them to do what we think is their appropriate share.

Chairman MCCLELLAN. We may be trying to put the emphasis on an agreement of reduction with the Warsaw Pact nations which is proper, but we have not taken care of our duties here at home by requiring the NATO countries to meet their proportionate share of the responsibility in ground troops. I think we need to start there.

Ambassador RESOR. Well, as you know, Secretary Schlesinger has made a very heavy effort, and a continuing effort, to do this, and he believes, and we believe, that MBFR is a vehicle with which we can achieve that objective because one of the problems that we have with our allies is their psychological concern that the conventional defense is not viable. One way to attack that problem is to build up our side of the equation; but the other way is to bring down the level of opposing troops in the area, and our proposal in MBFR in designed to do just that.

We are seeking equality of ground forces in the area, approximate parity. If we can get that concept agreed to, then we think that it will be easier to get the Western Europeans to continue to provide their necessary component of the conventional force because they will see that it is something feasible, they won't feel it is hopeless.

Chairman MCCLELLAN. Do you not think it is quite probable that Russia is looking at this picture and saying that, "So long as we keep these forces there we are forcing the United States to carry a heavier burden than she normally carries"?

If our allies would provide their proportion of the ground troops and we stand by with the airpower and the nuclear power, I think Russia would reduce their forces faster than it would be for us to try to keep a lot of troops over there.

Ambassador RESOR. Well, I would like to suggest some reasons why that might not be true. First, you are suggesting that if we make unilateral withdrawals——

Chairman MCCLELLAN. I am not talking about withdrawals at the moment. I am talking about bringing NATO ground troops up to equal Russia's, so she will have a good reason to withdraw too. She has the advantage now, and there is no reason to withdraw. She has the advantage and wants to keep it. If the NATO countries will provide the same number of ground troops as their counterparts then there is more reason for Russia to reduce a commensurate level of troops.

Ambassador RESOR. Mr. Clarke, who as you know is Secretary Schlesinger's representative and my advisor from Defense in the talks, was with me in Vienna, and has something he can add on these numbers of people.

Mr. CLARKE. Mr. Chairman, let me go back to your question on the input of our allies relative to that of the allies of the Soviet Union. I think it is important to note that if you were to subtract the United States from the total of NATO that there would be [deleted] troops provided by the remainder of our allies, whereas if you subtract the Soviets from the Warsaw Pact total, the allies of

the Soviet Union are only providing [deleted]. In other words, the allies of the United States supply [deleted] more troops to the NATO total than the allies of the Soviet Union provide to their total. I think that is an important thing to keep in mind.

Chairman McClellan. Our troops sought to equal the number of troops by Russia.

Mr. Clarke. I am merely pointing out that our allies at this point are supplying [delete] more troops than the Soviet Union's allies are providing to these two sets of figures.

Chairman McClellan. One reason for that is Russia is forcing them to do it.

Ambassador Resor. Yes. One of the things that has come out of these talks is that the Poles and the Czechs would like to reduce if the Soviets would let them.

Chairman McClellan. Senator Brooke, do you have anything at the moment?

Senator Brooke. No. Thank you very much.

Chairman McClellan. You may proceed.

Ambassador Resor. So to get to our Western proposal, we think that it should address the ground forces. We think it should address this disparity. So we have set as the ultimate goal of these negotiations an approximate parity between ground forces in the area. We are seeking equal ground force manpower in the area, and a reduction of the tank disparity. We suggested to the other side that the ground forces might on both sides be reduced to [deleted] in the area. Our concept is to reach this goal in two successive negotiations.

The phase I negotiation would involve reduction only of U.S. and Soviet forces, and the second phase that would involve the reductions of all the forces in the area on both sides.

[Deleted.]

Chairman McClellan. Let the charts be placed in the record as exhibits.

Ambassador Resor. Yes.

[Charts 1 and 2 deleted.]

Ambassador Resor. [Deleted.] The other main element of the first phase we are seeking to get them to agree to is the concept of the common ceiling; namely, that each side would reduce to a number such as [deleted] ground forces on each side.

Then our proposal would include a provision to go on to a second phase of negotiation, and finally it would have provisions for verification and what we call stabilizing measures, measures that control the activities of military exercises, forces on both sides.

We think this is a practical proposal because it does not try to deal with the whole problem which is a complex one and the negotiation splits off a piece of it, the United States-Soviet element, and deals with it first.

We think it is a reasonable proposal because it proposes an equitable outcome for both sides; namely, parity. We think it would improve

stability in the area because it would create an equilibrium of forces and remove the temptation or threat to the force on either side, and accordingly reduce the risk of conflict and the risk of escalation to the use of nuclear weapons.

Now, what does the East propose? They propose that we deal with the whole problem all at once, make one umbrella agreement, and that that agreement would provide for equal percentage reductions on both sides. [Deleted.]

Brezhnev outlined the elements of this proposal in a speech in September just a month before we started our negotiations—they put it down actually in the negotiations in November. [Deleted.]

Senator BROOKE. [Deleted.]

Ambassador RESOR. [Deleted.]

Senator BROOKE. Would you yield?

Ambassador RESOR. Certainly.

Senator BROOKE. [Deleted.]

Ambassador RESOR. [Deleted.]

Senator BROOKE. [Deleted.]

Ambassador RESOR. [Deleted.]

Chairman MCCLELLAN. [Deleted.]

Ambassador RESOR. [Deleted.]

Chairman MCCLELLAN. [Deleted

[Deleted.]

Senator SYMINGTON. Your negotiations would depend a great deal on SALT for a successful outcome and vice versa. Would that be a fair evaluation?

Ambassador RESOR. [Deleted.] I think they are entirely independent except insofar as the general atmosphere of one is effected by progress in the other.

[Deleted.]

Where do we stand after 9 months? Both sides have tabled specific proposals. We have met each week in plenary session with all 19 coutnries. We read prepared statements at those sessions elaborating in detail elments of our positions and critiquing the other side.

[Deleted.]

We have also used the 9 months to work out an allied cohesion. We have 11 allies represented in Vienna. Each word that we say formally to the other side has to be agreed unanimously by those allies. So as you can well imagine, it takes time.

[Deleted.]

We developed over this period, I think, an increasingly faster response. We know how to work better with cohesion.

Senator SYMINGTON. Do the French participate?

Ambassador RESOR. No, the French do not participate; they are not represented. I think overall this has really been a very good result because we started out when the Israeli war was going on, and there was quite a dissension between our Western European allies and ourselves on some issues. Yet we have gone ahead in Vienna with no impact from these other differences. We have our own dynamic down there, and our cohesion has been excellent.

What substantive changes have been made in positions?

[Deleted.]

The allied position that we are presenting to them was hammered out after 6 months of hard negotiation with our allies. It was finally agreed to in October 1973, and it is formalized in about a 40-page written memorandum.

[Deleted.]

Senator BROOKE. Exactly.

Ambassador RESOR. Now, just a last word about what we think about their attitudes. We see considerable evidence that they are serious in this negotiation. In the first place, they have entered into a formal, visible negotiation with the whole world watching it. Second and interestingly, they tabled a concrete proposal only 10 days after we got there. [Deleted.] We think it is a bad proposal from the NATO point of view, but it is perfectly logical from their point of view.

This is not like their usual negotiating tactic. As you know, in SALT it was a matter of many months before they put down a proposal. Similarly in the Berlin proposals, it was many months before they put down a proposal, but here they acted differently and put down one in 10 days. They adopted a businesslike attitude.

Their request was that this negotiation be treated, the substance of it, confidentially.

[Deleted.]

They furthermore have been nonpolemical in their statements. They have been tough. They have been strong, but there has not been a lot of irrelevant and inflammatory material.

Brezhnev in his statement in September laid out publicly a schedule that he wished to follow; namely, an agreement providing for a first reduction in 1975, and then the proposal that they tabled in November followed that timetable.

Finally, they have been restrained, I think, in dealing with the press. [Deleted.] I think they are serious.

Now, what are the prospects? We are still, as you can see, far apart in fundamental approach; however, I am hopeful [deleted.] This is too early, I think, to predict the future, but I am not pessimistic. I think actually the long-term prospects are positive. I think the heads of all 19 delegations if you were to poll them today individually would say that they each expect these negotiations to have a positive outcome. I don't think any of them can tell you exactly the shape of it today, but they do, I think, all feel that these are serious negotiations which will have an outcome.

[Deleted.]

Finally, one last word and I guess the $64 question as far as we are concerned. We believe that any unilateral withdrawals by the United States while we are in this negotiation would essentially pull out the rug from under us. It would make our position untenable. It would cut our bargaining leverage. We could not really expect the Soviets to give us something for troops that we are taking out outside of any agreement.

So beyond that we think that if we were to make unilateral withdrawals at a time when we, our allies, and the Soviets see us in this serious business of negotiation, it could lead both the Soviets and the West Europeans to wonder about the seriousness of our commitment to Western Europe. It might lead them to conclude that it was an irreversable trend toward a complete U.S. disengagement if we make

withdrawals at this particular moment while we are in a serious, ongoing negotiation.

In short, I think we have here the start of an unusual opportunity, something we have been working for years to get into. We have got the Soviets there. They are negotiating seriously. I hope that this committee would be helpful in trying to avert any withdrawal that would tend to pull out the rug from under the U.S. position in Vienna.

[Deleted.]

PREPARED STATEMENT

Chairman McCLELLAN. Thank you very much for your fine statement, Ambassador Resor. We will place your prepared statement in the record at this point.

[The statement follows:]

Mr. Chairman and Subcommittee members, let me first express my pleasure at being here. I much appreciate your interest in the work we are doing and the opportunity you have given me to discuss the MBFR negotiations with you. It is important for our success that you and your colleagues have a full understanding of these negotiations, and we welcome every occasion to discuss them with you. At the same time, I would like to remind you that these talks are confidential in nature. This confidentiality, we believe, is in the interest of all sides and therefor strongly in our interest too. It permits a more businesslike approach; it avoids public polemics; and thus makes success more likely.

I should like to describe where we are in the negotiations, and how we got there.

CURRENT STATUS

The MBFR negotiations began on October 30 of last year. In preliminary consultations during the spring of 1973, we agreed on participation. The nineteen participants—twelve on the NATO side and seven on the Warsaw Pact side—are divided into two categories. The so-called direct participants are those who may sign actual agreements: on the Western side they are Belgium, Canada, the Federal Republic of Germany, Luxembourg, the Netherlands, the United Kingdom and the United States, and on the Eastern side they are Czechoslovakia, the German Democratic Republic, Poland, and the Soviet Union. All these countries have forces or territory in Central Europe. The so-called special participants are Denmark, Greece, Italy, Norway and Turkey on the Western side, and Bulgaria, Romania, and Hungary on the Eastern side. Hungary is in a somewhat special category, in that the Western side has reserved the right to raise the question of how and to what extent Hungary will be included in future decisions, agreements or measures.

We have been actively negotiating on MBFR for about nine months now, and we believe the negotiations are going well, given their unprecedented character and complexity. The issues involved go to the heart of the security interests of each of the participants, and there are 19 of them. Rapid progress was not expected, and there is a premium on patience. But if you took an individual poll of all the 19 heads of delegation in Vienna, I do not believe that you would find any one of them who does not expect the negotiations to lead to an agreement on force reductions. In our view, both sides are demonstrating a serious interest in coming to an agreement.

The East and West are discussing very specific proposals in Vienna. The merits of these proposals, however, should be seen against the background of the military situation in Central Europe with which the negotiations deal.

MILITARY SITUATION

The two sides agreed during the preliminary consultations that the aim of the Vienna negotiations should be to enhance security and stability in Europe, by achieving a more stable military balance at lower levels of forces with undiminished security for all participants.

What are the main elements of instability in the present military situation in Central Europe? We see three such elements:

The East has about [deleted] more men in ground forces than the West;

It has an advantage of two-and-a-half to one in tanks; and

It has a major geographical advantage since the United States is eight times as far from Central Europe as the Soviet Union.

These disparities threaten stability by creating the temptation to use, or threaten to use, military force to influence political decisions. Our negotiating goal is to eliminate, reduce, or offset these large disparities by appropriately designed reductions. A program of reductions which would preserve these disparities would be to the disadvantage of the West. And, since this outcome would undermine rather than enhance stability, we believe it would be to the disadvantage of all sides.

Therefore, the specific and concrete program which the West has put forward attacks this disparities problem directly.

We have proposed the elimination of the imbalance in ground force manpower, so that the outcome would be equitable for both sides, in the form of manpower parity for East and West. To this end, the final goal of the negotiations would be a common ceiling for overall ground force manpower for both sides. This outcome would go directly to the potential source of conflict in the area, which is the imbalance of ground forces. And, since any conflict in this area would carry with it the risk of escalation to use of nuclear weapons, elimination of the ground force imbalance would reduce the risk of nuclear conflict as well.

Let me turn now to the specific proposals of the two sides.

WESTERN PROPOSAL

The basic features of the Western proposal are as follows:

1. The reduction area should comprise the territories of Belgium, Czechoslovakia, the German Democratic Republic, the Federal Republic of Germany, Luxembourg, the Netherlands, and Poland. We are reserving our position on Hungary.

2. Reduction should be made in the ground forces of the two sides in Central Europe.

3. The ultimate goal of the negotiations should be the establishment of approximate parity between the two sides in the form of a common ceiling for overall ground force manpower on each side in the reduction area, taking into account combat capability. This ceiling might be set at approximately [deleted] soldiers on each side.

4. Reductions to the agreed common ceiling should be negotiated in two successive phases, governed by separate agreements.

5. The first phase agreement should provide for reduction of Soviet and U.S. ground forces in the area.

6. The USSR would withdraw from the reduction area [deleted].

7. The United States would withdraw from the reduction area [deleted].

8. In any agreement reached, the withdrawal of forces from the area of reductions should not diminish the security of the flank countries.

9. Agreement should also be reached on measures which will build mutual confidence and enhance stability by reducing fear of surprise attack and the risk of misunderstandings, provide for verification of agreements, and ensure that agreements are neither circumvented nor undermined.

10. The first phase agreement should include agreement on the concept of a common ceiling for overall ground force manpower on each side in the reduction area. It should also include agreement on continuation of the negotiations in a second phase in which each side would agree further to reduce its ground forces in the reduction are in order to complete movement toward the agreed common ceiling.

We believe this is a reasonable and practical proposal.

We think it is practical because it does not attempt to tackle the whole potential range of the subject matter all at once. It focuses on U.S. and Soviet ground force reduction in the first phase.

We think it is a reasonable proposal because the outcome is an equitable one for both sides, and one which would enhance stability in the area. Under a common ceiling, both sides would have the same number of soldiers in the area. We think reductions to [deleted] men on each side is an attainable goal.

Our proposal deals with the major disparities in manpower, tanks, and geography. The manpower disparity would disappear at a common ceiling of [deleted] soldiers on each side. The tank disparity would be considerably reduced [deleted]. And, the asymmetry of the proposal regarding withdrawal of U.S. soldiers and disposition of U.S. equipment is justified by the geographic disparity. [Deleted]

We think, though, that by focusing on the desirability of obtaining a good outcome—that is, a more stable balance—we can bring the Soviets to see that our approach is fair and reasonable.

EASTERN PROPOSAL

The Eastern proposal tabled in Vienna on November 8 contains the following features:

1. The reduction area would be the same as under the Allied proposal, though Hungary is firmly excluded.

[Deleted.]

SOVIET ATTITUDES

There is considerable evidence that the Soviets are serious in these negotiations:

1. Brezhnev is on public record as personally identified with and committed to the negotiations; Soviet negotiators make continual references to the 1975 timetable mentioned by Brezhnev.

[Deleted.]

3. We had expected that in conformity with their behavior in the SALT and Berlin negotiations, the Soviet negotiators would delay for months before responding to our initiatives. Instead, the Soviets put down a specific proposal early in the negotiations.

[Deleted.]

6. In the personal sense, the Soviet representatives give every appearance of strong personal interest in making progress. They have been non-polemical and businesslike.

Since October of last year, the Allies have been able to develop their proposal effectively, and have established an Allied coordinating mechanism which has efficiently devised tactics for negotiation with the East while maintaining Allied cohesion.

[Deleted.]

CONCLUSION

On the basis of the evidence we have mentioned, and of the assessment of most of our colleagues in Vienna, we believe the long-term prospects for the MBFR negotiations are positive. But to achieve the best possible outcome, patience and persistence will be required.

Here, I would like to highlight a point which was implicit in what I have already said. In this negotiation, we are striving not only to agree on a mutual reduction of forces. We also want an equilibrium of conventional forces in Central Europe. Such an equilibrium would in turn decrease the risk of war in that area.

An equilibrium in conventional forces in Central Europe would greatly reduce the risk that the Soviets might attempt to use military force, or the threat of such force, to exert political pressure on a Western state.

Central Europe is now reasonably stable. But in the light of the fact that any armed conflict in Central Europe could escalate into a nuclear war, it is clear that every improvement in that stability is in the direct interest of the United States as well as of Europe.

STATUS OF NEGOTIATIONS

Chairman McClellan. Now let me ask you two or three questions, and I will yield to my colleagues.

You have been in the process of negotiations 4 years?

Ambassador Resor. No; the negotiations themselves have been in process for only 9 months. NATO suggested mutual reduction negotiations in 1968. The Soviets—Brezhnev—showed the first real interest in May of 1971. They finally agreed to set up a procedural negotiation in the spring of 1973, and the substantive talks began last fall. So we have been in negotiation for only 9 months.

Chairman McClellan. It took 3 or 4 years to get to the negotiating table?

Ambassador Resor. Yes; that is what I meant to say.

Chairman McClellan. What is your prognosis? How long do you think it is going to take to get some concrete results?

Ambasador RESOR. [Deleted.]

Chairman MCCLELLAN. [Deleted.]

Ambassador RESOR. [Deleted.]

Chairman MCCLELLAN. [Deleted.]

Ambassador RESOR. [Deleted.]

Chairman MCCLELLAN. Against a background of an imposed $5 billion out, and also against a background of a $10 billion cut in the defense budget, will you recommend we make no withdrawal and that we continue these negotiations without interfering at all with the strength that we are now contributing to NATO?

Ambassador RESOR. There are two answers to that. Yes; I very definitely would. I personally think that the most cost effective of our conventional forces are those in NATO, and I would think these should be the ones that are cut last in a budget cutting exercise. Beyond that I am not saying that they should remain unchanged. I think the Nunn amendment to the defense authorization bill is a wise thing. I think Secretary Schlesinger has already moved in that direction and will move further; namely, to reduce headquarters and logistics and to plow that back into combat units. I think that is a continuing program and should continue.

Chairman MCCLELLAN. I am talking about dollars now.

Ambassador RESOR. Yes.

Chairman MCCLELLAN. Then you would make no reduction in dollar cost to what we are contributing to maintain NATO now even if we have to cut $5 or $10 billion from the Defense budget?

Ambassador RESOR. You see, Mr. Chairman, the only way you can make a budgetary saving is to take troops out and then inactivate them, disband them, take them out of the force structure.

Now I know that in this new authorization bill the strength of the Army is down to 785,000. That is lower than it has been at any time since the Korean war. The smallest Army we ever had since the Korean war was 860,000 at the end of the President Eisenhower regime in 1960 at the time of massive retaliation strategy. So we are already down to a very low figure now. The total defense force is about 2,141,000 in that new authorization bill? I think one faces a very serious question in trying to save money by taking troops out of Europe because to do so you have to, at the same time, disband those troops.

Chairman MCCLELLAN. I am making this record. We had a former Assistant Secretary of Defense testify that we ought to reduce by $14 billion. Somebody on the floor of the Senate will say, "Take it out of the military, reduce $10 billion." That is what we are confronted with. I think we are going to have to make some hard decisions. You are recommending on the one hand we keep the present strength in NATO. We cannot have it both ways.

Ambassador RESOR. Maybe I am talking parochially, but we went into the Vietnam war with 960,000 men in the Army. That was before there was any buildup. Today we have 785,000. So there have been very substantial cuts already from the point of view of numbers.

Chairman MCCLELLAN. Well, I know all that, and those who are making these demands know that. There is no mystery about that. The first priority of anyone or any nation is to survive. That is the first in my book. Making ourselves vulnerable is an intolerable risk.

However, it is very difficult to determine what the level of priorities should be and where they should be applied. I am trying to find out what is right and best for the country. I am pointing out to you and for this record we cannot have all things both ways. We can have some of them both ways, but you cannot have all of them both ways.

Mr. CLARKE. Mr. Chairman.

Chairman MCCLELLAN. Yes, sir, I welcome any contribution you make. I am not adamant. I am trying to find answers.

Mr. CLARKE. If I might make a comment, sir, that I believe relates to what you are saying. As relates to our force structure in Europe, there are two ways basically to improve it, and I am speaking now not only with respect to the United States but also with respect to NATO. One way is to improve the forces in NATO themselves; force improvements, better tanks, better airplanes, more troops, more of this, more of that. The other way to improve the posture of the United States and its NATO allies is to diminish the forces that it confronts, to cause the forces on the other side to be less in relation to the forces on this side.

Now that is what the negotiations right now can do uniquely. Everything that we are talking about on force improvement, modernization, can be done by our own initiative if we are willing to do it, if we are willing to pay for it. What we can uniquely do through the negotiations is to cause these forces over here to diminish.

We can cause through negotiation the Soviets to pull back troops out of the forward area into the Soviet Union. If we get into phase 2, we can cause the national military establishments of East Germany, Poland, and Czechoslovakia to diminish somewhat. There will be a price to be paid, but it is in our estimate a price that we can afford to pay.

It is simply this. We are very sensitive to the problem that you speak to on what are the priorities, and we are also very sensitive to the fact that we are saying to you at a very difficult time, "Please leave this area alone because there are negotiations underway." So, what I am saying is that with a little more patience and a little more time to bring these negotiations to fruition we believe there is a reasonable prospect, it is not 100 percent. No man can guarantee it, but we believe there is a reasonable prospect that we can achieve one important aspect that you can't achieve any other way, and that is we can cause the forces on the other side on the area of concern to shrink, to become less, and this will contribute to the well-being of the United States and to our allies. That is why we would hope there would be more time preserved for us by not having to deal with the effect that unilateral decisions by the United States to pull out its troops regardless of what was going on in the negotiations would cause.

Chairman MCCLELLAN. You think it worth while to do this?

Mr. CLARKE. Yes.

Chairman MCCLELLAN. We ought to take the chance?

Mr. CLARKE. Yes.

Chairman MCCLELLAN. Irrespective of the cost?

Mr. CLARKE. Yes.

Chairman MCCLELLAN. You feel we ought to bear the cost and grant the time to continue the negotiating efforts?

Mr. CLARKE. Yes. We believe that the expenditure in time relative to the potential gain in getting the forces on the other side brought down is a worthwhile investment.

Ambassador RESOR. Now apropos of what Mr. Clark said they have offered under their plan to reduce the Soviet forces [deleted] in the aggregate. That answers one of the big questions that I was asked at my confirmation hearing.

It was pointed out to me the Soviets are not there solely for their national security. They are there to keep the East Europeans under control. I was asked whether I thought they would seriously take out troops?

I think that question has been answered in part by their own proposal.

Chairman MCCLELLAN. Senator Symington.

Senator SYMINGTON. Well, first I respect your opinion. You have a fine record as an artillery man in the war. I have been involved in this question of troops abroad for quite a long time. I was with Eisenhower in Berlin in 1945, and later Lucius Clay. I was sent by President Truman to persuade Eisenhower to take the job as head of NATO just before that, and just after that I saw your father, Mr. Clarke, running all the armies in Europe from Heidelberg, I believe it was. So I think I know a little bit about the situation.

Now you have certain problems that you have to face up to. I knew MacArthur pretty well. In 1957 or 1958, no later than 1958, he said to me. "We talk about trip wire and shield with respect to U.S. forces in Europe. He said it won't be either one; it will be a parade to the English Channel across the plains in Northern Prussia.

Incidentally, all of this was before the French pulled out and now the distance between the Rhine and the Communist territory is 90 miles.

The second person to suggest a major reduction in troops 5 years later was Eisenhower in 1963. He said he felt we could go down to a division.

I personally thought the first deal Kissinger made in Moscow as he explained it was a good deal, and I think it was killed by the modifications that were demanded when he got back here. After that I had hope in my own mind for the future SALT talk, although I hope I am wrong.

The reason I point all this out to you is that not only have you been an outstanding military figure, but you have also been, of course, a great Wall Street lawyer. I don't think anybody realizes just what a serious economic situation we are in today. We have a rapidly grow-

ing inflation. We have continuing unemployment. We have continuing devaluation.

I recall that the 1929 Depression started with a failure of a bank in Austria. Now as I understand there is a bank in Germany in deep trouble and so forth. So we really get down to how much can you afford. That is one part of it.

I think a solvent economy and a reasonably sound dollar is a part of national security, and nobdy would agree that the so-called partners we have over there have done their share.

I was with General Lemnitzer at his headquarters in Belgium when he was infuriated because the French demanded that the French flag be taken down from his headquarters which he refused to do unless he got direct orders from President de Gaulle. Within 48 hours he received such orders.

My feeling is that something has to be cut. As the Chairman pointed out, we have had various suggestions about reductions. In business, you take an across-the-board cut, and that is beginning to be considered—because one of the arguments of those favor of the military is that they are the experts who know what we need. In my opinion in an across-the-board cut the military experts would make that cut with more intelligence than people who were looking for preserving the position in their own State. Those thoughts run through my head as I listen to this explanation.

I want to respectfully commend you for the months and months and months that you put in on this. It is good to see Bruce here. I saw him for many years in another function. I think it is a very interesting presentation and I wish you the best luck, but I do think the Chairman has a point that everybody will agree, I know you will.

Ambassador RESOR. Certainly.

Senator SYMINGTON. You have the economic problems and I don't think anybody will agree that the countries in Europe have done their share over the years.

Thank you, Mr. Chairman.

Chairman MCCLELLAN. Senator Brooke.

Senator BROOKE. Thank you, Mr. Chairman.

Mr. Chairman, I certainly want to thank you for having this hearing and giving the Ambassador an opportunity to make a presentation and respond to questions, because this has been a very important matter which has come before us annually and we have every reason to believe that it will continue to do so.

Mr. Ambassador, I am very much encouraged by your response to the chairman that you have some optimism MBFR negotiations will be successful.

[Deleted.]

I do have a series of questions. I will ask you a few and the others will be submitted for the record.

I do not favor a unilateral reduction in forces in Europe. I have never voted for one, I do not intend to vote for one this year. I believe the negotiations that are going on offer the best hope for security at lower levels of military capability for both sides.

I think that you would be seriously handicapped if you did have a unilateral reduction at this time, and you appear to have a significant possibility of success in a mutual reduction of the forces, which to me is very, very important, and I am sure to many of our colleagues.

Is there any evidence that the Soviet Union and its Warsaw Pact allies will be willing to cut their forces if the United States unilaterally cuts its troops stationed there?

Ambassador RESOR. Our historical experience has been to the contrary. If you go back to Berlin in the early 1960's, we have cut our troops in Europe from around 400,000 to 300,000.

The Soviet Union has built up its forces. Particularly when it invaded Czechoslovakia it brought in five new divisions and those have not gone out. That has been the major increase in the Warsaw Pact force level in the last 5 years.

Mr. Clarke is an expert on this, and I just wanted to be sure I am correct in this.

Ambassador RESOR. Yes.

Senator BROOKE. Are U.S. troops stationed in Europe mainly for protection of the Europeans or beacuse of our own vital interests?

Senator BROOKE. So it is in our own best interests?

Ambassador RESOR. I have always thought it was quite clear they are only there for our own interests. I was reading recently Raymond Aron's new book. In it he pointed out again the truism that twice the U.S. has gone to fight in Europe when it didn't have any troops there, and both when we might have prevented the conflict if there had been forces there.

Senator BROOKE. So it is in our own best interests.

Ambassador RESOR. Yes.

Senator BROOKE. Is it factual to argue that the Europeans are not assuming a greate portion of the defense burden of the Alliance?

Ambassador RESOR. Would you repeat?

Senator BROOKE. Is it factual to argue that the Europeans are not assuming a greater portion of the defense burden of the Alliance? This argument has been made, as I am sure you are well aware.

Ambassador RESOR. They contribute a somewhat lesser percent of their gross national product to defense than we do. They con-

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tribute, based on 1973 figures, roughly 4.2 percent, and we contribute about 6.4 percent.

Senator BROOKE. I am not speaking of our GNP. I am speaking generally. Are they taking on a greater share of the burden?

Ambassador RESOR. Yes. They have done more. Under the NATO force improvement plan they have done more over the last 3 or 4 years.

Senator BROOKE. What would be the likely effect on our European allies of a unilateral congressionally mandated reduction of U.S. forces at this point in time?

Ambassador RESOR. I think it is quite clear that our doing less would result in their doing less for the simple reason that their governments are under the same pressures as we are; namely, pressures to reduce expenditures. If they see us do less, realizing we have better intelligence than they do, and believing that we have a real self-interest in Western Europe, if they see us do less they will think that there is no reason for them to continue at their present level. They are already under heavy pressure to reduce. The Dutch Government, as you know, has recently adopted a plan to reduce, but has deferred it because of these negotiations. [Deleted.] The United Kingdom is currently doing a defense review based on their budgetary problems arising in large measure out of their increased oil costs.

So I think that if we were to start the reduction process it is quite clear they would follow rather than do more.

Now, the one exception, at least temporarily, would probably be West Germany. They seem to have good support currently for their defense budget.

Senator BROOKE. This would be interpreted eronmously as a signal to them that there is no necessity for maintaining this force level.

Ambassador RESOR. Yes, and they would believe that the maintenance of conventional forces was not a viable option without our help, and accordingly, why spend the resources?

Senator BROOKE. What would be the effect of reducing our conventional combat capabilities on the nuclear threshold issue? Would it tend to lower the threshold in terms of forcing the allies to rely to a greater degree on tactical nuclear weapons in resisting Warsaw Pact forces?

Ambassador RESOR. Yes. That is correct. I am afraid that would be the inevitable effect.

Senator BROOKE. What is the nature of the threat in terms of capabilities faced by the alliance at this time? For the past several years has the Soviet Union increased or decreased its conventional capabilities targeted on Western Europe?

Ambassador RESOR. As I have just pointed out, in 1968 it increased its forces by five divisions, and in the more than 5 years since then, it has been modernizing and improving the armaments of that force considerably.

Senator BROOKE. Do you believe we can maintain our present level of security while cutting back our forces in Europe on a unilateral basis?

Ambassador RESOR. No, I do not. I think that particularly in today's age of strategic nuclear parity, our conventional forces become increasingly important, and, therefore, I think it would be seriously adverse to our national security to reduce the level of those conventional forces in Western Europe.

RELIABILITY ON EUROPEAN NATO SEAPOWER

Senator BROOKE. How dependent we are on the cooperation of various Western European maritime powers in seeing that the sea lanes remain open to us?

Ambassador RESOR. I am not really competent to answer that. I do know they make a very significant naval contribution, but I could not quantify it. I would be glad to supply that for the record.

Senator BROOKE. Would you do that?

Ambassador RESOR. Yes.

Senator BROOKE. Thank you.

[The information follows:]

Assuming that the question refers to a NATO war, the task of maintaining open the sealanes of communication (SLOC) in the Atlantic/Mediterranean would be a cooperative effort involving all our NATO allies. In those instances where the United States must take unilateral action to protect national security interests, then the burden of protecting the SLOC's would fall heavily on our own Navy.

COHESIVENESS OF EUROPEAN NATO SECURITY MEASURES

Senator BROOKE. Is there any thought that the Western Europeans have sufficient economic and political cohesion to provide almost wholly for their own security?

Ambassador RESOR. I think you have correctly used the word "cohesion." I think because of the problems of cohesion and the pressures they each are under to reduce defense expenditures, that they clearly do not have the capability to do without our help.

Senator BROOKE. Well, if they do not, then why is it in our interest to continue to insure that Western Europe remains politically and economically and militarily independent?

Ambassador RESOR. Military independence?

Senator BROOKE. Independent.

Ambassador RESOR. Because if the population and the gross national product of Western Europe were to fall under the dominion of the Soviets—and by that I mean not actual occupation but a Finlandization process, a process whereby they no longer can make independent political judgments, but each time they make a political judgment on external affairs they have to be influenced by what the Soviets want them to decide—I think that that kind of a world would be a very different world from what we are in today.

I think it is critical to our own national security and the kind of free world that we stand for that that situation not materialize.

Senator BROOKE. Now, would a reduction of 50,000 of our troops at this time erode our ability to insure Western European independence?

Ambassador RESOR. I think a unilateral reduction of 50,000 would, as I have indicated, have the effect of triggering a reduction by the Dutch, the Belgians, and quite possibly the United Kingdom.

Senator BROOKE. I specifically want to know if, in your estimation, a unilateral reduction of 50,000 would that erode our ability to insure Western European independence?

Ambassador RESOR. I think a unilateral reduction of 50,000 would erode it and for that reason I have just indicated.

Senator BROOKE. Thank you very much, Mr. Ambassador. I think the presentation and responses both you and Mr. Clark have made to the committee are very helpful.

Mr. Chairman, the basic question is, Can we afford to have a unilateral reduction of troops in Europe at this time? I believe the answer must be "No."

Chairman MCCLELLAN. One other question. Where we have an interest in NATO, you think our interest is such that it would be our responsibility to supplement what NATO countries in Western Europe can and should do for themselves and not have them suffer for what we do to guarantee their security? I think we are getting the cart before the horse.

Are you saying that any reduction on our part, say 50,000 or 25,000 troops would trigger NATO reduction?

Ambassador RESOR. No, I didn't mean to imply that, and I want to correct the record because I don't mean that certainly. I meant they would have the feeling that it is not feasible, it is not viable without our assistance.

As to the question of supplementing, I think as the figures show they now provide 75 percent of the ground force manpower which, in turn, is 80 percent of the troops in the area.

Chairman MCCLELLAN. They are not doing what they can and should do. We are supplementing for the part that they ought to.

Mr. CLARKE. Mr. Chairman, neither the Ambassador nor I because of our primary concerns these days, is in a position out of our own immediate knowledge to speak to what the allies are doing, have been doing, and are expected to do, particularly under pressure of Secretary Schlesinger. I would urge you to hear from people, from the Secretary of Defense, who do have the capacity to speak in detail and out of deep knowledge, because it is my impression that under the pressures of the programs of the last 4 or 5 years and the realization that the Jackson-Nunn amendment, as well as other things, has brought to the minds of the European allies, that more is being done. They are very conscious of this, and we lost no opportunity in Vienna in our own particular arena to help them to remember this.

Senator BROOKE. It is in our own interest to avoid a large unilateral reduction of our troops stationed in Europe. Our security is indissolubly linked with the economic, political, and military independence of Western Europe. That is the key consideration that should guide congressional action on this issue. The cost issue must be assessed within the framework of this overriding interest.

QUESTIONS AND ANSWERS

Chairman MCCLELLAN. The following questions and answers, received subsequent to the hearings on June 24 and 25, will be placed in the record at this point.

(The questions and answers follow:)

ECONOMIC STIMULUS IN DEFENSE BUDGET

Chairman MCCLELLAN. Mr. Secretary, you stated yesterday that in December, when you received final outlay allowance from the Office of Management and Budget, it permitted an increase of about $1 billion in outlays and about $1½ billion in budget authority for the Defense budget.

Secretary SCHLESINGER. Mr. Chairman, I believe I stated yesterday—if I didn't, I certainly intended to—that the final outlay total allowed by OMB was about $1 billion higher than it might have been, and the TOA figure related to that $1 billion, about $1½ billion higher. It wasn't a matter of adding anything; it was a matter of not being cut as deeply as we feared. I think we might have been cut further by those amounts if the economy had not softened.

Chairman MCCLELLAN. After receiving final outlay allowances, or just prior to receiving these final allowances, did you propose adding many new programs to the Defense budget? Did you solicit the military departments for new and additional programs that would raise the FY 1975 Defense budget by between $4 and $7 billion in budget authority? In other words, after most of the Program Budget decisions had been made and the grand total of the Defense budget had been pretty much established, was something on the order of between $4 and $7 billion added in budget authority in late December 1973?

Secretary SCHLESINGER. Mr. Chairman, there is apparently some misconception about how a Secretary of Defense formulates a defense budget request for any particular fiscal year. First, there is the budget review which normally takes place during the summer before the budget is submitted to the Congress. In this review I and my Deputy address ourselves to the major policy and force structure decisions, or what we call in the Department "the major program issues." The Services then have an opportunity to appeal these tentative program decisions. Once these program decisions are settled, at least for the moment, the Services prepare their budget requests which are normally submitted to the Office of the Secretary of Defense at the beginning of October preceding the year being budgeted. The Defense Comptroller staff, with the assistance of other OSD elements, reviews these budget requests and makes recommendations to me and the Deputy Secretary of Defense. These recommendations begin to flow into my office sometime in late November. I and my Deputy then address ourselves to these recommendations one by one and the Comptroller and other elements of the Department are notified of our decisions. And, of course, the Services have an opportunity to appeal these decisions, and even the earlier program decisions, before the budget request is put into its final form.

Naturally, there is a tendency to leave some of the more difficult and troublesome decisions to the very end of the budget cycle. I am told that my predecessors also followed the same practice. In any event, before we reached our final decisions on these more difficult and troublesome issues, we consulted several times with the OMB in the latter part of December to get a better feel of how our contemplated Defense budget would fit into the overall Federal budget and fiscal policy. With the results of these consultations in hand, we then addressed ourselves to the remaining issues, which involved several billions of dollars.

Chairman MCCLELLAN. Please identify the specific programs and dollar amounts that were added during the:

Last month of the defense budget cycle;

Last 3 weeks of the defense budget cycle;

Last 2 weeks of the defense budget cycle; and

Last week of the defense budget cycle.

What was the lowest total obligational authority for the Defense budget that was approved in your Program Budget decisions during the months of December 1973 and January 1974.

Secretary SCHLESINGER. As I noted earlier, Mr. Chairman, we did not "add" any amounts to the Defense budget during the last month of the budget cycle in order to stimulate the economy. We made our final budget decisions during that month in the incremental manner I have just described. The budget request, as finally submitted to the Congress, is lower than the amounts requested by the Services.

I will provide for the record at this point a tabulation showing the status of the budget decision process during the months of December 1973 and January 1974, or until the final budget figure was fixed. I will also identify the major program and dollar amounts involved in the budget decisions made in the final period of the budget cycle.

[The information follows:]

Date	*TOA approved (cumulative) (billions)*	*Date*	*TOA approved (cumulative) (billions)*
December 1, 1973	$41.3	December 27, 1973	87.0
December 4, 1973	45.8	December 28, 1973	87.7
December 5, 1973	46.9	December 29, 1973	87.7
December 6, 1973	66.5	January 2, 1974	87.8
December 7, 1973	77.1	January 3, 1974	89.8
December 10, 1973	83.6	January 4, 1974	92.0
December 11, 1973	83.9	January 7, 1974	92.1
December 12, 1973	84.0	January 8, 1974	92.1
December 14, 1973	84.2	January 9, 1974	93.0
December 15, 1973	84.5	January 10, 1974	92.6
December 17, 1973	84.9	January 11, 1974	92.6
December 18, 1973	85.5	January 12, 1974	92.6
December 19, 1973	87.0	January 15, 1974	92.6
December 21, 1973	86.1		

As shown in the table above, the lowest total obligational authority figure approved during the months of December 1973 and January 1974 was $43.1 billion as of December 1, 1973. This is not a meaningful figure since it simply represents the amounts involved in the budget decisions completed as of that date. Among the budget decisions made during the last four weeks of the budget cycle, December 18, 1973, through January 15, 1974, were the following:

(Fiscal year 1975 total obligational authority)

	(Millions)
Contingency estimate for pay increases and legislation	$2,242
POL price increases	958
Trident/Poseidon	1,249
Military assistance service funded (MASF) increase	190
Readiness items	1,645
Items related to congressional action on fiscal year 1974 estimates	599
Fiscal year 1974 wage board increases	43
Flight simulators	138
Navy flying hours	96
All other changes, net	−100
Net change	7,060

These are not add-ons to stimulate the economy. They represent items that were known to be required, but concerning which decisions were not made until nearly the end of the budget review. The first item, for example, includes the following:

	Millions
Oct. 1, 1974 pay increase	$1,525
Fiscal year 1975 wage board increases	215
Future cost-of-living increase for military retirees	260
Proposed legislation	242
Total	2,242

These pay estimates were not approved until late in the cycle because of the need to await the latest information on pay raise amounts, approved legislation, etc. They are not included in the requests thus far transmitted to the Congress, but are included within the Defense totals as a contingent estimate for later transmittal (see FY 1975 U.S. Government Budget, p. 191.)

The POL price increase item ($958 million) was also decided late, to have the latest information.

Decisions on the Trident/Poseidon program came late in the cycle, as did decisions on readiness items. The latter was a comprehensive package that had been under review and consideration, in various forms, since late last summer.

In a number of instances the FY 1975 estimates had to be changed, late in the cycle, to take account of Congressional action on the FY 1974 Budget. There was a net increase of $599 million approved during this period, including FY 1975 funds for the DLGN which Congress added to the FY 1974 program, ammunition, and other items.

ECONOMIC STIMULUS AND THE FIVE YEAR DEFENSE PLAN

Chairman McCLELLAN. Mr. Secretary, in your testimony you stated that all of the programs requested in the FY 1975 budget were in the Five Year Defense Program.

Does the Five Year Defense Program always have a "bow-wave"—that is, the second year (in this case, FY 1975) is always higher than the current year? Does the second year usually take massive cutting to get it in line with what is eventually put into the President's budget for that year?

Secretary SCHLESINGER. The answer to both questions is no. A key element in our PPB system, for the past several years, has been fiscal guidance. This means that programs throughout the entire cycle are formulated within a financial constraint, and are kept in line with budgetary realities.

Chairman McCLELLAN. For example, the President's budget message for FY 1975 shows that in FY 1976 National Defense will require $101 billion in budget authority and $94.8 billion in outlays. Is this well below what is currently programmed in the Defense Department's Five Year Defense Program? What is the total estimate of budget authority and outlays for FY 1976 in the Five Year Defense Program that was prepared at the same time as the FY 1975 budget?

Secretary SCHLESINGER. The figures which are mentioned cannot be compared directly to the FYDP, for three reasons.

First, the figures in the FY 1975 budget apply to the National Defense function as a whole, including AEC, stockpiling, and other Defense-related activities, while the Five Year Defense Program (FYDP) applies to DoD/MAP alone. The figures are as follows:

	Fiscal year 1976 estimate (dollars in billions)	
	Budget authority	Outlays
National defense fiscal year 1976 estimate per pages 40–41 of fiscal year 1975 President's budget	$101.0	$94.8
Deduct AEC, stockpiling, etc.	−3.0	−2.8
Amount of DOD/MAP	98.0	92.0

Second, the National Defense FY 1976 estimate includes amounts for pay raises and price increases beyond FY 1975, which are not included in the FYDP.

The FYDP estimate of TOA for FY 1976, prepared at the same time as the FY 1975 budget, was $96.9 billion in TOA. This would compare most directly with the $98 billion amount for DoD/MAP, but the comparison would have to take account of pricing differences.

Chairman McCLELLAN. As each year's budget is reviewed, is the Five Year Defense Program (FYDP) used as the starting point from which large reductions are made—because of the very "soft" nature of many of the programs that are included in the FYDP?

Secretary SCHLESINGER. The FYDP is not "very soft" in the sense that multi-billion adjustments are made. As I indicated earlier, the entire FYDP, as well as the budget estimates, is now developed within fiscal guidance, that is, within very tight budget constraints. Moreover, the January FYDP is not the base for the next fall's program/budget review. An intensive program review is conducted in the summer, and the FYDP is updated on the basis of that review. In the 1960's, the budget submissions were unconstrained and large reductions were made by the Secretary of Defense during the course of the fall program/budget review—on the order of $15 to $20 billion. Last fall, the net reduction in the budget requests submitted to my office was $2.7 billion.

Chairman McCLELLAN. Can you assure us that all of the programs in the Five-Year Defense Plan are needed for valid necessary requirements? Are there any procurement and research and development programs included for funding in

the Five-Year Defense Plan that assume favorable decisions on the validity of the military requirements?

Secretary SCHLESINGER. The FYDP for any particular period of time reflects the best judgments of the Defense Department as to what is required for military purposes. Nothing is included for other than military reasons. It's obvious, of course, that programs, and especially dollar amounts, for the later years—say, FY 1979 or FY 1980—are subject to change, and they will in fact be changed in many cases before funds are requested of the Congress. They are subject to change for many reasons—changes in intelligence estimates, technology, unit costs, relative priorities, etc. As is to be expected, the entire FYDP is subject to continuous reassessment and some programs may not be pursued to completion. But by the same token, new programs, not presently anticipated, are likely to be approved during the five-year program period.

CONCLUDING REMARKS

Chairman MCCLELLAN. Well, Mr. Ambassador, we do thank you and Mr. Clarke for your presentation. My only regret is that we really don't have more time. I would like to go into this subject further.

Thank you.

Ambassador RESOR. Thank you very much, sir.

CONCLUSION OF HEARINGS

Chairman MCCLELLAN. That concludes the Defense hearings for fiscal year 1975. The subcommittee will recess and reconvene at the call of the Chair.

[Whereupon, at 12:15 p.m., Wednesday, July 31, the hearings were concluded and the subcommittee was recessed to reconvene at the call of the Chair.]

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